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PART III

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■

LIGHT DENSITY RAIL LINES IN INDIANA

Results of Evaluation

INTERSTATE COMMERCE COMMISSION

LIGHT-DENSITY RAIL LINES

Indiana; Evaluation

The Rail Services Planning Office of the Interstate Commerce Commission is publishing herewith the results of evaluations of fourteen light-density rail lines in Indiana. These evaluations were performed at the request of the State of Indiana, made pursuant to section 205 (e) (2) of the Regional Rail Reorganization Act of 1973, as amended, 45 U.S.C. 701.

ROBERT L. OSWALD,
Secretary.

PREFACE

On February 20, 1976, the State of Indiana exercised its right under section 205(e) (2) of the Regional Rail Reorganization Act of 1973, as amended, to request the Rail Services Planning Office of the Interstate Commerce Commission to evaluate the economic viability of fourteen light-density lines within the State of Indiana. These lines were excluded from the restructured rail system which resulted from the implementation of the Final System Plan of the United States Railway Association. In the time that has elapsed since the State of Indiana made its request, the Office has conducted a comprehensive study of each of the fourteen lines. The findings which have resulted from that study are contained in this report.

Many individuals and organizations went to considerable trouble to develop relevant facts and estimates necessary for the completion of this work. We are grateful to them all and wish that we could mention every one by name. We do want to express special appreciation to Carl Brown, John Dring and Merle Denny of the Public Service Commission of Indiana; Dr. William Black, Director of the Center for Urban and Regional Analysis; and Bruce Pigozzi. The various Federal agencies and departments involved in the restructuring process also supplied useful information and technical assistance to the study. Finally, a word of appreciation is in order to the hundreds of Indiana rail patrons and business leaders who gave generously of their time and whose patience and understanding during the field investigations by the RSPO Project Teams helped to make this report possible.

None of the individuals or organizations which assisted in the course of the study shares any of the responsibility for the findings here reported; however, it should be noted that a large amount of the material on which our findings are based was furnished to us by various individuals and organizations. We expect that there will be honest differences of opinion as to the correctness of our approach, our methodology, our data and our recommendations. In spite of these differences, we hope that our report will be useful to the State of Indiana and its rail patrons.

It should also be noted that this is a staff report of the Rail Services Planning Office. It has not been officially adopted by the Interstate Commerce Commission and does not necessarily represent the Commission's viewpoint.

ALAN M. FITZWATER,
Director, Rail Services Planning Office.

INTRODUCTION

The issuance of the Final System Plan by the United States Railway Association in July, 1975, represented the final step in the planning process to restructure the bankrupt railroads of the Northeast-Midwest region into a profitable new system. Of all the issues raised during the restructuring process, none aroused more widespread public interest and debate than the issue of light-density lines. It is not surprising that this issue generated such controversy, since the economic future of many of the communities and businesses served by such lines was in jeopardy. Close to 500 light-density lines were classified by the Final System Plan as not recommended for inclusion in Conrail;[1] in other words, unless provision was made for the operation of these lines pursuant to a subsidy agreement, rail service over them was to cease April 1, 1976. Many of the excluded lines are presently being operated under subsidy; others are no longer in operation.

Throughout the planning period leading up to the adoption of the Final System Plan, there was consistent public opposition to the exclusion of light-density lines from the restructured system. The public response to both the Preliminary and Final System Plans was highly critical of the method by which USRA determined which light-density lines were to be included in the restructured system. The primary criticisms were: that the approach of USRA was too negative; that its methodology was too dependent upon hypothetical conditions and statistical application of incomplete data;[2] that it placed too much reliance on an inaccurate and/or inadequate data base; that it failed to conduct on-site examination of local rail service operations; and that it used profit as a measure of viability almost to the exclusion of other Congressional goals.[3]

In response to the widespread public criticism of USRA's methodology, Congress enacted a provision whereby any State in the Northeast-Midwest region could request the RSPO to evaluate the economic viability of any light-density line in that State excluded from the restructured system. That provision, section 205(e) (2) of the Regional Rail Reorganization Act of 1973, as amended, gives RSPO the following duty.

> Upon the request of a State in the region, within 90 days after the date of enactment of the Railroad Revitalization and Regulatory Reform Act of 1976, the Office shall prepare and publish an evaluation of the economic viability of any or all light-density lines within such State which are not designated for inclusion in the final system plan. Such an evaluation shall include an analysis of the actions which may be necessary to make the operation of rail service over any such line economical. The results of each such evaluation shall be transmitted to the requesting State and published in the FEDERAL REGISTER, not later than 1 year after the date such request is received by the Office.[4]

The States of Indiana, Maryland, New Jersey and Pennsylvania filed requests pursuant to this provision. This report summarizes the results of the evaluations which were performed on those lines included in the request of the State of Indiana.

EXCLUDED LIGHT-DENSITY LINE STUDY PROCEDURE

Study Process and Data. After considering the various alternative approaches available, the Office decided to conduct an analysis largely on a survey of the excluded branch lines and affected communities. The case study approach, including extensive field research was selected because the Office concluded that such a technique would provide a better understanding and appreciation of economic viability.[5] The approach also makes possible discovery of various available alternatives through on-site inspection of railroad properties and operations. Extensive and in-depth personal interviews with those parties most affected by the problems resulting from exclusion of branch lines, allows for thorough examination of the concerns and

[1] The following abbreviations are used throughout this report: "Conrail" refers to the Consolidated Rail Corporation; "Final System Plan" or "FSP" refers to the Final System Plan; "Preliminary System Plan" or "PSP" refers to the Preliminary System Plan; "RRR Act" or Act refers to the Regional Rail Reorganization Act of 1973, as amended; "RRRR Act" or 4R Act refers to the Railroad Revitalization and Regulatory Reform Act of 1976; "RSPO" or "the Office" refers to the Rail Services Planning Office of the Interstate Commerce Commission; and "USRA" or "the Association refers to the United States Railway Association.

[2] It should be noted that factual evidence to support the validity of claims about light-density lines is not readily available and is often fragmented, contradictory and unreliable, making it difficult to validate any model or statistic.

[3] Rail Services Planning Office, Evaluation of the U.S. Railway Association's Preliminary System Plan (Washington: Interstate Commerce Commission, April 28, 1975), pp. 14–16.

[4] 90 Stat. 57 (1976).

[5] The advantages of performing the analysis of light-density lines through extensive field research include: (1) the data are of a higher degree of accuracy; (2) the analyst has the opportunity to insure that information is in balance and internally consistent, i.e., he is able to avoid imputing magnitudes and forcing or stretching the data by a variety of techniques normally necessary when using a "selected" sample. The use of quantitative methods, far from being incompatible with the case-study method, is occasionally essential to it. Nevertheless, it is true that many fundamental phases of a case study are nonquantitative-phases such as the analyses of the rail infrastructure, for example. In these the data must be assembled and analyzed, the relationships discovered and described, and the conclusions presented, in non-statistical form. No attempt has been made to cloak this study in quantitative model mysticism. A straight forward analytical approach has been used, based on the best data made available to RSPO.

objections that have been voiced on the light-density line issue.

The study process of the RSPO was divided into three phases: data collection and literature search; extensive field research and analysis of data; and drafting of the final report, including development of recommendations.

The research process was divided into the following five categories:

(1) An extensive literature search was undertaken, including a review of the USRA's light-density line analysis approach, numerous interviews were conducted with civic associations and business and government officials to gather pertinent information.

(2) Business and Government entitities were asked to offer their comments and views (see Appendix A).

(3) Frequent staff meetings were held with State agencies and officials connected with the project.

(4) An excluded rail line questionnaire was developed and field tested for the collection of information concerning each line's characteristics: operational, physical, shipper and traffic.

(5) On-site inspections and in-depth interviews were conducted by multi-disciplinary research teams; these teams consisted of a cost analyst, an economic/marketing analyst and a railroad operations analyst.

Limitations. Certain limitations must be recognized as inherent in the very nature of an undertaking such as this.[6] The scope of the project is defined by statute, and certain examinations by other governmental agencies have already preceded this study. Therefore, the purpose of the study is not to redefine problems or reestablish issues but to perform the mandatory evaluation and to produce recommendations as to what is necessary to make operation of rail services over the studied lines economical.

It must be recognized that for a number of reasons the development of information for the different lines was uneven, and, therefore, the individual treatments of the lines themselves will vary considerbly in depth and length within the report. Moreover, it was not possible in generating line data to develop cause and effect relationships among such things as service declines, deferred maintenanee, increased cost and rate levels, individual economic and distribution changes and traffic losses. In addition, it was extremely difficult to estimate future traffic levels because of prevailing conditions and the inability to conduct individual industry analysis.[7] Consequently, estimates of both future traffic and cost levels for individual excluded lines were developed largely from both empirical evidence and extrapolations. Unfortunately, historical cost data on these particular lines are not an accurate measure of future avoidable costs.

An attempt to develop resonably accurate estimates of the economic viability of immediate areas served by excluded lines was thwarted somewhat by the aggregation levels of statistical data. Thus, the bulk of the sections dealing with the economic structure of the areas served by individual lines is based upon county and regional data. While the data contains much that is relevant and useful, the reader is well advised to consider that the application of such macro-data to individual line segments could possibly produce inaccurate conclusions.

Even after the most comprehensive and exhaustive examination, some significant factors may still remain undiscovered. This means that somewhat less than absolute validity must be attached to the "facts" assembled in such a fluid atmosphere. The implication as to the need for caution in interpreting the assembled data is clear.

USRA Light-Density Line Analysis

Essential to a basic understanding of this report is a familiarity with the general approach adopted by the USRA in the selection of those light-density lines of the bankrupt railroads which were to be included in the restructured system. USRA stated its approach to branch line viability in the following manner in its Final System Plan:

> First lines were isolated which, by the volume of traffic originated or terminated, appeared to be submarginal (see PSP, p. 336). The initial screening process due to the magnitude of the analytical task, was relatively broad. The definition of what constituted a "line" for study was also imprecise, often following historical definitions which later proved related neither to present economic or operational boundaries.
>
> Second, the latest data were collected on traffic volumes and revenue levels, future traffic possibilities, current condition of the tracks and facilities, cost of rehabilitation, service characteristics and identification of shippers on each line. Data and information from the hearings conducted by RSPO were identified by line segment, as was information about specific operating problems and shipper concerns which was gained informally during the last one and one-half years (see PSP, p. 336). During the review process a number of lines were subsegmented. Each subsection was further analyzed to determine if the subsection might be self-sustaining even if it appeared that the entire line would not be or if a portion of the line was cross subsidizing the remainder.
>
> Third, each line was analyzed to determine whether revenues generated in 1973 by traffic originating on or destined to the line were sufficient to cover the variable costs directly attributable to that traffic in that year.[8]
>
> Fourth, if a line did cover its variable costs, including adequate maintenance and required upgrading for that year, it was included in the restructured system.
>
> Fifth, if the branch line failed this test, an analysis was conducted to determine if [it could cover its variable costs] either by a modest rate increase (10 percent or less) or with an expected immediate traffic increase. If this was found to be the case, the line was included in the restructured system.
>
> Sixth, if the line did not cover such costs, even with reasonable rate increases and expected traffic growth, a review was conducted to determine whether the line had connections to other carriers. Where such potential exist[ed], the connecting carrier was provided the data and information necessary to assess the line's potential viability.
>
> Seventh, if a line met none of the first five criteria, it was recommended as a candidate either for abandonment or subsidy. * * *

[6] It was not possible, within the scope of the present study, to make a complete analysis of the total environment in which the light-density lines operate because there was not enough time; some of the data needed is unavailable; the cost greatly exceeded the benefit; and there were certain legal restraints. It was necessary, therefore, to limit the scope of the study and to leave other issues for later study and appraisal by the individual States. For example, the RSPO did not attempt to make any assessment of adverse community impacts nor to undertake a detailed study of those individual industries which are located on the excluded light-density lines. Further study would be needed, at a much greater degree of specificity than was possible in the current study, to estimate service and price elasticities of demand for rail transportation by commodity class or by changes in intermodal competitive attitudes. The present study is designed to develop relevant facts and make recommendations that ultimately must be transformed into actions by those most vitally concerned with their execution. This Report does not make recommendations as to whether an individual light-density line should or should not be rehabilitated or subsidized. It does make a series of recommendations which provide the information necessary to make operation of rail service over the studied lines economical.

[7] The RSPO Staff concluded that no single quantitative model could be utilized to accurately reproduce the unique conditions on the individual light-density lines requested for study. Not only would the development of such a model be extremely time consuming and expensive, even assuming the needed data were available, but many of the relationships would necessarily remain judgmental, impressionistic or arbitrary. Also a series of "single" situations would not lend themselves to experimental procedures. Several approaches were examined, for example, establishment of control conditions which could be used to test the viability of one light-density line against another. Comparison of particular aspects of other light-density lines now in existence and profitable was examined, but because of the multiplicity of variant factors—size; geographic distribution; historical development; industry characteristics and mix; time variance; traffic and distribution flow patterns, etc.—This approach was found insufficient for use in this analysis. There appears to be no abstract standards of composition or structure of size or functional efficiency by which a light-density line's viability may be measured; moreover, comparative standards have not been developed with any degree of accuracy which would permit comparison to the unique situations presented by the studied lines.

[8] The USRA based its light-density line economic viability analysis on the carriers' 1973 traffic, revenue and unit costs and assumed efficient operations. The basic steps were as follows:

1. Establish total branch line-generated revenue.

2. Then subtract in the following order these cost items:
   (a) On-branch operating costs,
   (b) On-branch maintenance costs,
   (c) On-branch return on net salvage value,
   (d) On-branch overhead costs,
   (e) Off-branch operating costs, and
   (f) Up-grading costs.

See: United States Railway Association, Preliminary System Plan: Volume II (Washington: United States Railway Association, February 26, 1975), p. 337.

[9] United States Railway Association, Final System Plan: Volume II (Washington: United States Railway Association, July 26, 1975), p. 5.

Accordingly for a line to be included in the restructured system, it had to be one that:

[Was] capable of generating sufficient revenue to cover approximately 90 percent of the costs incurred on the light-density line itself as well as the variable costs of moving that branch-line-generated traffic over other lines to its destination and interchange with another rail carrier;

While not currently self-sustaining, [could] be made viable by reasonable rate adjustments (10 percent or less); or

While not currently self-sustaining, [would] be made so because of identifiable traffic growth in the near future.[10]

In making its individual determination of branch line self-sufficiency, the USRA stated that the key questions were:

What are the costs of continuing service? Will there be sufficient line-generated revenue to cover these costs? What is the near-term traffic growth potential of the lines? Are there recoverable fossil fuel deposits on the line? [11]

Of these key questions, the most important, from an economic viability viewpoint—future prospects for traffic growth—was by far the most difficult to ascertain. The 1973 traffic data used by the USRA in its light-density line analysis represented a single point in time under unique circumstances. Obviously, time changes the circumstances and hence the results. Future projections based upon past trends are only as accurate as the relationship of past trends are to the future circumstances. This relationship was almost impossible for the USRA to predict, especially in light of the structural changes expected to result from implementation of the FSP and the unpredictable reaction of industry and other modes of transportation to those changes. RSPO concluded that the only way to overcome this particular dilemma was to conduct on-site examinations and to consult with local rail patrons. We also concluded that our approach should emphasize local variations and individual situations. These conclusions formed the basis for the procedures adopted by RSPO in the conduct of its investigation of excluded light-density rail lines.

INDIANA'S APPROACH TO THE ANALYSIS OF LIGHT-DENSITY LINES

Following passage of the Regional Rail Reorganization Act and prior to the release of the U.S. DOT Secretary's Report on February 1, 1974, Indiana Governor Otis R. Bowen appointed a rail task force to assess the potential impact of the RRR Act on the State. The task force was composed of the directors of relevant Indiana governmental units and transportation specialists from Indiana and Purdue Universities. The Center for Urban and Regional Analysis of the School of Public and Environmental Affairs, Indiana University, was directed to be the technical arm of the task force. The farsightedness of Governor Bowen and the swiftness of the appointed task force resulted in the State's publication of a report, containing its analysis and recommendations on potentially excess Penn Central rail segments, approximately six months prior to the release of the USRA's Preliminary System Plan on February 26, 1975. The August 1974, initial report was quickly followed by an extensive series of reports relating to Indiana's State Rail Plan as listed below:

U.S.R.A. Segments in Indiana: State Analysis and Recommendations, Volume I and Volume II, August 20, 1974.

U.S.R.A. Segments in Indiana: State Analysis and Recommendations, Volume III and Volume IV, January 31, 1975.

Indiana State Rail Plan, January 1975.

Indiana State Rail Plan, Phase I, May 15, 1975.

Indiana State Rail Plan, Preliminary, Phase 2, Volume I, October 10, 1975.

Indiana State Rail Plan, Preliminary, Phase 2, Volume II, October 10, 1975.

Indiana State Rail Plan, Preliminary, Phase 2, Supplement, October 10, 1975.

Indiana State Rail Plan, Final, Phase 2, January 26, 1976.

In order for Indiana to be able to meet the various statutory requirements of the RRR Act, the State made two major institutional changes in 1975:

The Public Service Commission of Indiana was designated as the State rail planning and administrative agency.

The State Rail Preservation Act of 1975 was passed to enable the Commission to satisfy all the statutory requirements.[12]

As a result of this and other actions, Indiana had "for the first time in nearly a century * * * a policy position with regard to railroads, rail subsidies, and state acquisition and rehabilitation of railroads." [13]

From the very first report issued by the State of Indiana, a firm stand was taken with respect to the restructuring of the State's rail system. The tone is clearly evident in Governor Bowen's statement of August 28, 1974:

I believe Indiana's evaluation is a responsible one. We have not avoided the tough decisions on recommending abandonment, when all data points clearly to abandonment as the only reasonable future for certain lines.

On the other hand, the report makes a strong case for retention of service on route segments when our information shows that these segments can be viable operations and contributors to the financial and service success of a reorganized system.[14]

Taking the position that the State was probably in a better position than the USRA to analyze the rail lines within its boundary, the August 20 report made five recommendations with respect to the Penn Central rail segments under discussion:

Lines Abandoned—No Reinstatement of Service—For those lines which have been abandoned in the past, the State is basically of the philosophy that service should not be reinstated on these lines.

Include in Conrail Due to Profitability.—Certain segments indentified by USRA as under consideration for abandonment are, in the technical staff's opinion, viable lines. Revenues exceed costs of operation and maintenance. This recommendation in essence says that further analysis of the line is not necessary and it should no longer be considered as subject to potential abandonment.

Mixed Recommendation.—Some USRA segments are clearly unprofitable over their entire length and it would be unprofitable to retain service on them. However, portions of such lines may be quite viable. The mixed recommendation is basically that a certain portion of the lines be retained and other portions of the lines be abandoned. For those portions retained, it may be recommended these become part of Conrail or that they be sold to a solvent railroad in the region.

Sale to Solvent Line due to Connectivity.—Certain lines in the region are profitable as far as their junction with a solvent railroad. In order to become part of Conrail the commodities of these lines might have to move over mainline track of a solvent railroad. In these cases the overall length of the "branch" makes the segment unprofitable. Therefore, the most economical route would appear to be to have the lines run as branches of the solvent railroad.

Abandonment Recommendation.—If a line is a drain on the economic resources of the PC and the only benefit received from it by the State is its real estate taxes (which have been deferred since 1971), then abandonment will be recommended. This is also true for segments approaching this situation. Although the line may be recommended for abandonment, this does not necessarily imply that its right-of-way should be sold. A final determination of the latter has not been made. If the right-of-way so abandoned forms a system it may be worthwhile to retain this for future transportation.[15]

The report also went on to say that Indiana was "* * * more concerned with the reestablishment of a viable railway operation than with preserving every mile of track * * * undercontrol of the Penn Central within the State." Yet, while the State was willing to take a cooperative stand on the abandonment issue, it stated that it would oppose any abandonment "* * * that would be detri-

[10] Ibid.

cit., p. 103.

[11] Preliminary System Plan: Volume I, op.

[12] While the State Rail Preservation Act was a rather comprehensive piece of legislation, in essence, it authorized the PSC to: subsidize rail operating and maintenance costs; acquire any and all data from railroads for state rail planning purposes; acquire by purchase or condemnation rail property in the state; sell or transfer rail properties; lease rail lines; purchase rail rolling stock and equipment; and modernize, rehabilitate, or rebuilt rail lines. See the Center for Urban and Regional Analysis, Indiana State Rail Plan, Preliminary Phase 2, Volume I, (Bloomington, The Public Service Commission of Indiana and The Center for Urban and Regional Analysis, October 10, 1975) p. 10 and The Center for Urban and Regional Analysis, Indiana State Rail Plan, Final Phase 2, Bloomington, The Public Service Commission of Indiana, January 26, 1976) p. 6.

[13] See Indiana State Rail Plan, Preliminary Phase 2, Volume I, op. cit., p. 1, and Indiana State Rail Plan, Final Phase 2, op. cit., p. 11.

[14] The Center for Urban and Regional Analysis, U.S.R.A. Segments in Indiana: State Analysis and Recommendations—Volume I (Bloomington, The Center for Urban and Regional Analysis, August 20, 1974), p. 1.

[15] U.S.R.A. Segments in Indiana: State Analysis and Recommendations—Volume I, op. cit., pp. 61–62.

mental to its communities and local economies." [16]

The State's policy position on the abandonment issue was stated again and again in its various reports. In its January 31, 1975, report the State said:

> The State of Indiana believes that Conrail, as well as the PC segments under analysis here, must be viewed in the aggregate to assess financial viability. It should be understood that there may be break-even branches as well as extremely profitable branches in the system. Lines which represent a clear financial drain on the system should not be incorporated in the Final System Plan unless unusual circumstances would merit this. This philosophy is apparent in the report and represented by the State's recommendations for abandonment of certain line segments.[17]

In its May 15, 1975; October 10, 1975; and January 26, 1976; reports the State said:

> The most critical problem as the State sees it is the creation of a viable ecomonic rail transport system. Implicit in such a position is the willingness of the State to see duplicate trackage and non-viable rail service discontinued. Rationalization of the railroad plant is seen as a prerequisite to the long-run viable operation of railroads in the State.[18]

The State's View of the Subsidy Program

In its May 5, 1975 report, the State expressed the following reservations with respect to the "Rail Service Continuation Subsidy Program" contained under Title IV of the RRR Act:

> It is our belief that the Federal Government is attaching too much importance to the subsidy program as an alternative to abandonment of questionable branch lines. There is a concern that the cost estimation procedures will tend to err in favor of establishing a higher subsidy than actually may be warranted. Although it is understood that subsidies may be negotiated, it should be clear that the Penn Central has nothing to lose in such a situation and the success of such negotiations are dubious. There is some uncertainty regarding Conrail's role in such negotiations since the lines to be subsidized will not be purchased.
>
> The fact that the Federal subsidy program lasts only two years is further reason for skepticism. Although there are indications that this might be extended, it is not certain. *The State does not at this point in time intend to take over the full burden of the subsidy program* (emphasis added).
>
> USRA has set its criteria for inclusion in Conrail rather high which means that far more segments are available for subsidy than the State expected. If in practice these lines are demonstrably profitable, USRA will have inhibited development of future traffic on the line. Firms will not locate along a subsidized line or those firms in place will not switch to a service that may soon terminate. A long term commitment is necessary.[19]

The States' position was restated, with some sentence changes and omissions but retaining its general meaning, in the October 10, 1975, and January 26, 1976, reports.[20]

Because Indiana was not in favor of a long-term subsidy program funded *only* by the State, its rail planning procedures focused on establishing goals for both the short-term, two-year subsidy period and the longer term. The States' basic goal during the subsidy period was "* * * to preserve essential rail services or to provide sufficient time for the relocation of activities from other lines." [21] Essential rail services were defined as those rail lines or segments "* * * considered necessary either for the development of rural industrial areas, or the minimization of adverse impacts on the areas which would lose the rail segment." [22] Another goal of the State was to "* * * hold under-developed urban lines for future development." [23] For rail lines considered not worth subsidizing from the States' perspective, immediate abandonment was contemplated. For some other non-essential rail lines, the State felt that perhaps a rail service continuation subsidy might be necessary in order to allow for the transition, transfer, or relocation of industries.[24]

The State's long term approach with respect to those rail lines available for the two-year subsidy was governed essentially by a concern for economic viability. In other words, if a rail line lacked economic self-sufficiency, philosophically the State felt that it should be abandoned.[25] Although the State, in 1975, recognized the possibility that Congress would extend the initial subsidy program (which it ultimately did under the Railroad Revitalization and Regulatory Reform Act of 1976), Indiana did not perceive this as necessarily desirable because of the potential cost to the State. The State also held the opinion that if the subsidy period should be extended for a decade or two, the State would be well advised to redistribute or relocate shippers to profitable branch lines. The State felt that relocation costs would be less than the continuing costs of the subsidy program.[26]

Indiana also believed that, if the economic conditions of 1975–1976 prevailed, it was doubtful that any subsidized line would become profitable within the two-year subsidy period because of the following:

> In several cases traffic has not changed during the past several years on rail lines under analysis; however, due to inadequate freight rates and inflation, costs currently exceed revenues.
>
> Lines in the subsidy program will have a stigma attached to them which will inhibit future economic development and the generation of "new" traffic; this is already occuring.
>
> Anticipating potential abandonment at the end of the two year period, shippers will begin to utilize an alternate mode or relocate.[27]

The State's View on Alternatives to the Rail Continuation Subsidies

Indiana, in its May 15, 1975, October 10, 1975, and January 26, 1976 reports, listed the following alternatives to rail subsidization:

(1) Short line railroads—state acquisition.
(2) State actions to lower costs.
(3) Industrial development or relocation programs.
(4) Rate increases or arbitraries.
(5) Service level changes.[28]

With the exception of a few rail lines, the State did not feel that the short line alternative was a very feasible one. It also did not believe that rate increases or arbitraries were workable in the long run since additional costs would inhibit future traffic development and, therefore, would be self-defeating.

On the other hand, Indiana believed that industrial development or relocation programs were a viable alternative. The State also postulated that significant savings were possible through service level changes. Additional actions that the State could employ to possibly further reduce costs included: the lowering or elimination of right-of-way taxes and changes in the State's full crew law. The

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[16] U.S.R.A. Segments in Indiana: State Analysis and Recommendations—Volume I, op. cit., p. 60.

[17] The Center for Urban and Regional Analysis, U.S.R.A. Segments in Indiana: State Analysis and Recommendations—Volume III, (Bloomington, The Center for Urban and Regional Analysis, January 31, 1975), p. iii.

[18] The Center for Urban and Regional Analysis, Indiana State Rail Plan, Phase I (Bloomington, The Center for Urban and Regional Analysis, May 15, 1975), p. 7. Indiana State Rail Plan, Preliminary Phase 2, Volume I, op. cit., p. 9. Indiana State Rail Plan, Final Phase 2, op. cit., p. 4.

[19] Indiana State Rail Plan, Phase I, op. cit., pp. 8–9.

[20] The most significant change in wording came in the last sentence—"Firms will not locate along a subsidized line *without incentives*" (emphasis added). See: *Indiana State Rail Plan, Preliminary Phase 2, Volume I, op. cit.*, pp. 11–12; and *Indiana State Rail Plan, Final Phase 2, op. cit.*, p. 6.

[21] See Indiana State Rail Plan, Phase I, op. cit., p. 11; Indiana State Rail Plan, Preliminary Phase 2, Volume I, op. cit., p. 12; and Indiana State Rail Plan, Final Phase 2, op. cit., p. 7.

[22] Ibid.

[23] Ibid.

[24] Indiana State Rail Plan, Phase I, op. cit., pp. 12–13; Indiana State Rail Plan, Preliminary Phase 2, Volume I, op. cit., pp. 13–14; and Indiana State Rail Plan, Final Phase Phase 2, op. cit., p. 7.

[25] The reliance on economic self-sufficiency was tempered somewhat by the State's position on cross-subsidy. In its Indiana State Rail Plan, Phase I of May 15, 1975, the State devoted Appendix B to a "Policy Statement on Cross-Subsidy Issue". Indiana defined a cross-subsidy as an "accounting method by which the profits generated by one sector of an enterprise are utilized to cover the losses of another sector". It went on to say that "it is desirable that the light-density branch lines located within its boundaries be subject to cross-subsidies". Specifically, the State maintained that profits from revenue generating branch lines within Indiana should be allowed to subsidize operations on unprofitable lines within the State. This position was alluded to in the subsequent reports but was not mentioned at all in the Indiana State Rail Plan, Final Phase 2.

[26] See Indiana State Rail Plan, Phase I, op. cit., pp. 14–15; Indiana State Rail Plan, Preliminary Phase 2, Volume I, op. cit., p. 15; and Indiana State Rail Plan, Final Phase 2, op. cit., p. 8.

[27] Ibid.

[28] See Indiana State Rail Plan, Phase I, op. cit., p. 16; Indiana State Rail Plan, Preliminary Phase 2, Volume I, op. cit., pp. 16–17; and Indiana State Rail Plan, Final Phase 2, op. cit., p. 8.

latter option was discounted somewhat by the State because it contended that the full crew laws had not been enforced in Indiana since 1972.

The State's View on Acquisition, Operation and Rehabilitation

In both its October 10, 1975 and January 26, 1976 reports, the State took the following position on rail acquisition and operation:

> At this time [prior to the Final System Plan] the State does not intend to acquire or operate any rail properties. Indiana believes that the solvent railroads should acquire and operate segments and generally supports proposed solvent acquisition of the segments analyzed here.
>
> * * * * *
>
> Under no circumstances conceivable at present will the State become involved in operating a railroad. It may, however, lease acquired properties to solvent railroads.

With respect to rehabilitation the State declared that:

> The Plan which follows ties rehabilitation to the profitability of the segment. For those lines which are currently profitable immediate rehabilitation is recommended. For other lines the rehabilitation is tied to the potential solvency of the segment. Generally, in the latter case the operating plan calls for 10 percent of the rehabilitation during the first year. At the end of that time an additional 40 percent of the rehabilitation will be undertaken if the line is increasing its traffic sufficiently. If by the end of the subsidy period the line is profitable, it will be completely rehabilitated prior to transfer to a solvent railroad.
>
> A firm commitment by shippers on the line to continue subsidizing the service, or their active participation in the subsidy program, could also result in complete rehabilitation.
>
> It is assumed that the FRA will permit operations on the line at less than Class I levels until the line is rehabilitated.
>
> One final point on rehabilitation is that this work should be let for bid to firms involved in rail rehabilitation.[29]

Lines to be Subsidized

In selecting those essential rail lines to be considered for Federal/State assistance monies the State Planning Staff considered the following seven factors:

(1) Traffic on the segment.
(2) Energy consumption impact.
(3) Environmental impact.
(4) Alternative mode operating cost impact.
(5) Jobs lost to the community.
(6) Wages lost to the community.
(7) Amount of subsidy required.[30]

Using these seven evaluation criteria as a base, the state assigned priorities to 28 USRA rail line segments identified as eligible to receive a Federal/State subsidy. Table 1 gives the ranking based upon the seven evaluation criteria, for the 28 line segments. The sum of the seven rankings is also included in Table 1. The final priority rankings were achieved simply by obtaining the sum of the ratings for each of the seven factors, the smallest sum receiving the highest priority. In instances in which more than one line achieved a similar rating, the segment with the smallest sum on a per mile basis was given priority over the others. The final list of USRA rail line segments and their priority-rank is found in Table 2. By a letter dated February 16, 1976, the State of Indiana requested that RSPO evaluate 14 of these 28 line segments. The State later revised its request in a letter, dated May 11, 1976, which is attached to this report as Appendix A.

TABLE 1.—*Ranks on evaluation criteria*

USRA Segment No.	Cars	Energy	Environment	Alternate mode	Jobs	Wages	Subsidy	Sum of ranks
399-99	8	20	6	5	5.0	6	16	66.0
401-99	13	8	8	6	12.0	12	14	73.0
414-2	22	15	25	25	19.5	21	26	153.5
417a-99	11	5	18	15	3.0	3	5	60.0
418-1	9	22	11	10	1.0	2	19	74.0
419-4	16	14	12	9	14.0	14	17	96.0
420-2	17	9	26	24	10.0	11	12	109.0
423-2	18	11	13	13	13.0	13	8	83.0
429-2	6	25	7	7	4.0	4	2	55.0
521-2	23	13	19	17	23.0	23	18	136.0
523-1	7	16	17	14	24.0	24	3	105.0
524-2	15	12	10	8	27.0	27	11	110.0
554-8	12	26	9	11	9.0	9	27	103.0
556-99	24	17	22	22	21.0	20	20	146.0
557-99	25	21	21	20	19.5	19	23	148.5
571/571a-99	5	3	3	1	7.0	7	21	47.0
574-2	26	7	23	21	18.0	18	10	123.0
578/579a-99	3	1	5	4	8.0	8	4	33.0
582-99	21	10	14	12	25.0	25	9	116.0
584-0	28	4	28	26	15.5	16	7	124.5
585-99	10	24	16	19	28.0	28	22	147.0
589/590-99	4	2	4	2	2.0	1	13	28.0
591-3	20	19	20	18	22.0	22	15	136.0
596-99	19	6	27	27	15.5	15	6	115.5
602-99	27	18	24	23	17.0	17	24	150.0
630-99	2	27	1	3	11.0	10	28	82.0
633-8	14	23	15	16	26.0	26	25	145.0
1261/1262-17	1	28	2	28	6.0	5	1	71.0

Source: "Indiana State Rail Plan, Final Phase 2," op. cit., p. 35.

TABLE II.—*Subsidy priority ranks*

Priority rank	USRA segment No.	Line description [1]
1	589/590-99	North Vernon to Madison.
2	578/579a-99	Emporia to Carthage.
3	571/571a-99	Valley Jct., Ohio, to Brookville.
4	429-2	Portland to Monroe.
5	417a-99	Auburn to Auburn Jct.
6	399-99	Goshen to Shipshewanna.
7	1261-1/1262-17	North Judson to Decatur.
8	401-99	Montgomery, Mich., to Angola.
9	418-1	Wolcottville to Michigan State line.
10	630-99	Kenneth to Effner.
11	423-2	Logansport to Lucerne.
12	419-4	Mexico to Roann (served from Denver).
13	554-8	Hunter to Maxwell and Wilkinson to Lynn (served from New Castle).
14	523-1	Elwood to Frankton.
15	420-2	South Whitley to Liberty Mills.
16	524-2	Elwood to Hemlock.
17	596-99	Duff Jct. to Washington.
18	582-99	Columbus to Flat Rock.
19	574-2	Zionsville to Whitestown.
20	584-0	Shelbyville to Fenns.
21	591-3	Cory to Mancourt (served from Clay City).
22	521-2	New Castle to Hagerstown.
23	633-8	Germantown to Knightstown (served from Cambridge City).
24	556-99	Richmond to Lynn.
25	585-99	Shelbyville to Rushville.
26	557-99	Lynn to Ridgeville.
27	602-99	Crawfordsville to Waveland.
28	414-2	Hartsdale to Liverpool.

[1] Unless otherwise noted, rail service is from the first station.

Source: Indiana State rail plan, final phase, 2, op. cit., p. 36.

RESULTS OF THE RSPO EVALUATIONS

The remainder of this summary consists of a discussion of the results of RSPO's in-depth evaluations of the 14 Indiana lines. Full evaluations of the individual lines will be published separately at a later date. Included in the present discussion are summaries of the evaluations of each of the lines and of the actions which may be necessary to make the lines economical. The Office has found that there are many actions which could be applied to all of the lines; therefore, this discussion will first analyze those actions capable of general application. It will then briefly discuss the lines on an individual basis, identifying the lines, some of their specific problems, and the actions best-suited to dealing with those problems.

Actions which may be Necessary for all Lines Studied.

For purposes of this report, the courses of action which may be pursued in attempting to make the operation of the 14 lines economical have been divided into five categories: subsidization by the public sector; increased railroad revenue and/or traffic; decreased railroad costs; acquisition by other railroads and/or government entities; and economic development programs. Each of the alternatives has certain advantages and disadvantages, and it must be recognized that there is no single "magic" formula for success. Obviously, these strategies are not mutually exclusive, and the particular combination which will prove most successful can best be determined only after an extensive examination of the many factors affecting traffic and market potentials. The ultimate choice among strategies may vary with the line segment and may be determined by political imperatives as well as the demands of economic efficiency.

[29] See Indiana State Rail Plan, Preliminary Phase 2, Volume I, op. cit., pp. 18–19; and Indiana State Rail Plan, Final Phase 2, op. cit., pp. 9–11.

[30] See Indiana State Rail Plan, Preliminary Phase 2, Volume I, op. cit., p. 83; and Indiana State Rail Plan, Final Phase 2, op. cit., p. 33.

Subsidization by the public sector.

Direct subsidization by the public sector is often advanced as the single best alternative to abandonment of light-density lines. Proponents of this viewpoint cite the provisions of the RRR Act which imply that, if it is in the public interest to continue rail services that are not financially viable in the private sector, the public must be willing to assume at least partial financial responsibility for the losses incurred.

Section 402(a)(1) of the Act provides financial assistance "* * * in the provision of rail service continuation payments, the acquisition or modernization of rail properties, including the preservation of rights-of-way for future rail service, the construction or improvement of facilities necessary to accommodate the transportation of freight previously moved by rail service, and the cost of operating and maintaining rail service facilities such as yards, shops, docks or other facilities useful in facilitating and maintaining main line or local rail service."[31] The Act provides a detailed procedure for the determination of rail service continuation payments; however, from the language of section 402 and from the funding provisions of the Act, as amended by the RRRR Act, it is clear that a service continuation subsidy is to be viewed as a short-term transitional measure and not as a permanent solution to the problem of a light-density line.

There are numerous alternatives to rail service continuation payments which could be employed by the State of Indiana. However, before discussing these alternatives, it is necessary to discuss the question of rehabilitation of the lines. The Office has concluded from its study that, in almost all cases studied, unless the individual lines are rehabilitated to at least FRA Class I standards, implementation of any other courses of action will not prove sufficient to make the lines economical. In some cases, lines which could ordinarily be served easily in one day require two days because the trains must literally creep across the tracks. It is doubtful that any combination of incentives will serve to increase traffic over such lines as long as their condition, and consequently, their service, continues to deteriorate. Conversely, the rehabilitation of these lines will contribute to an immediate reduction in operating costs, and the improved service over the line should, hopefully, produce an increase in shipments. Furthermore, once a line is rehabilitated it will be more attractive to potential rail patrons and, in some instances, to railroads, which at present are not interested in either acquiring or operating it.

Among the alternatives to rail service continuation payments would be a direct payment of an operating subsidy to cover some specific portion of the branch line costs, e.g., maintenance or operating costs. Another form would be a general subsidy based on factors such as anticipated traffic volume. Such a subsidy could be variable, e.g., the amount of the subsidy could vary with the volume of traffic, or the profit, or any specified condition. One major problem is that with existing branch line data problems, it would be very difficult to determine the exact amount of subsidy needed. A reliable technique for estimating future demands for market conditions for each firm on the line is mandatory.

An indirect form of subsidy which could be employed is a user tax based on other modes serving the area, with the resultant revenues either helping the branch line or being used for other economic stimulus in the area. The main problem with this form of subsidy is that the basic costs of transportation to area firms might effectively eliminate them from more distant markets and, in effect, cause a downturn in their overall business.

Another form of subsidy to be considered is a payment by the State to rail users for increased rail use, which would be the same as a rate reduction to shippers and consignees. The amount of the subsidy could be determined by how responsive the demand for rail services was to the reduction in rates. If the subsidy were paid for terminating as well as originating traffic, it would provide a direct incentive to induce consignees as well as shippers to use rail. A word of caution, however, is warranted. An incentive to compensate for any imbalances found between inbound and outbound traffic would have to be devised to insure the success of a subsidy program.

It should be stressed that a complete understanding of traffic flows, rates, and comparative system costs is necessary prior to the implementation of any of the subsidy alternatives discussed in this Report. Shipper responses provide little basis for judging the likely success (or cost) of different subsidy alternatives. Information must be obtained through a detailed review of the transportation requirements and market potential for each of the firms on the line to be subsidized.

Many shippers or consignees will not use rail service unless the service is improved over its current levels of operation, which means an increase in costs, both in operations and maintenance. The State could grant a subsidy either to a carrier or to the firms using the rail service, with the necessary revenues provided by the users as a supplemental charge which would cover both operating and capital losses of the branch line. This form of exchange would avoid any subsidy and place the burden of maintaining the service on the beneficiaries. In effect, the objections of an indirect charge from other modes would be eliminated; however, the result might well be the same, an eventual loss of business and rail traffic to other modes because of the higher effective costs of using rail service.

Another alternative to direct payment of a specific subsidy would be some form of tax forgiveness by the State and/or local communities and counties. Most branch line deficits appear to be substantially greater than the State's revenues derived from taxes on shipments generated on the branch lines and from county property taxes on line segments proposed for discontinuance. Tax forgiveness on the basis of rail usage is another possibility which might be considered. Tax relief programs used in conjunction with other techniques would further reduce the apparent cost of supporting rail operations, e.g., tax relief could reduce the reported breakeven operating cost and thereby reduce any subsidy payments. A rate increase, in conjunction with tax relief could also be employed. Another combination would be to increase traffic volume in conjunction with tax relief so that the breakeven point could be reached. However, it must be pointed out that the difference between tax relief and explicit subsidy is more illusory than real. If county property taxes are forgiven, either the burden must be borne by other businesses and residents in the county, or county services will have to be reduced. Essentially, this is also true on the State level.

The local or State government could assist branch line operations with a variety of other capital subsidy programs used separately or together with operating subsidies or tax relief. Such programs could involve grants for line rehabilitation and repair; the purchase of equipment; interest rate subsidies; or loan guarantees. The latter two types of support are longer range in nature and might be expected to have little immediate effects on branch line continuance; however, if offered in cooperation with other types of State aid, they might prove attractive.

Increased railroad revenue and/or traffic. The State should explore all possibilities which might result in increasing the revenues generated by the lines. The adoption of one or more of the following actions on each line could help to accomplish this objective:

(1) A restructuring of freight rates on traffic on the branches is necessary.[32] Based upon the ability of users and consumers to stand the burden, freight rates need to be increased. An examination of the users surveyed by the RSPO Teams found that on many of the lines the increased costs to the users which would result from a rate increase on most traffic was small, i.e., transportation costs do not comprise a large share of the total costs of products shipped.

[31] 45 U.S.C. 762.

[32] Railroad rates are set in a complex way with many factors given consideration that frequently result in charges for particular shipments having little relationship to the cost of trasporting the commodities moved. In addition, once negotiated, the rate levels, as well as the specific rate, are difficult to change. It is imperative that a systems approach be utilized in examination of the reasonableness of the level of rates for the specific branch lines. In many cases, the cross-subsidization of rates by previous rail carrier managements may have been utilized to accomplish a completely different set of goals, with a different operating configuration, than those of the present rail operations.

(2) The effects of reducing rates should also be explored. In some instances, such a reduction might result in more revenues through increased traffic than would an increase in rates, which could have the effect of reducing traffic.

(3) A surcharge could be placed on all shipments, either on a per-unit basis or on the basis of an absolute charge per rail patron.

(4) Rail patrons and the railroad could engage in cooperative activities designed to increase business. For example, some of the lines serve areas where the mobile home industry is predominant. The finished product of this industry does not move out by rail at the present time; shippers and the railroad could work together to try to develop a rail car to move this product.

(5) Users of a line could agree to guarantee to ship a specific amount of goods a year. Agreements for such "loyalty" shipments could include a scale to adjust for future cost changes.

(6) The State should explore the possibility of taking an active role in rate negotiations, either through trying to help a branch line obtain a larger share of existing revenues or through encouraging shipper routings that would result in the operating carrier receiving a longer haul.

(7) Local industries should be encouraged to use the branch line, even if it means shifting tonnage from a preferred mode.

(8) The State should pursue an industrial development program designed to bring about a greater diversification of traffic on the lines.

(9) The use of team tracks should also be encouraged.

Reductions in railroad costs. The State should also explore all possibilities for reducing costs of operations on the lines. The following actions should be considered:

(1) The State should meet with the operating railroads, organized labor, and other interested parties to examine whether special labor agreements may be negotiated which might result in lower operating costs and greater productivity in the service of the branch lines. Among the things to be considered would be: crew size reductions; local operating/work rule modifications, and crew assignments on main-line and yard terminal operations. The parties should also explore ways in which costs could be reduced by such actions as sharing clerical responsibilities.

(2) The State could asume responsibility for vegetation control programs near highway crossings; maintenance of grade crossings; installation of highway crossing protection; and other high maintenance cost items. Individual communities, with or without State assistance could assume shared responsibility for such programs. The State could also arrange for a reduction of highway grade crossings.

(3) The State, the operating railroads and interested parties should also seek to arrange for those levels of service over a line which would encourage rail usage.

Acquisitions by other railroads and/or government entities

Besides subsidizing light-density lines, whether directly or indirectly, the State should consider purchasing some of the lines in order to continue needed rail service. The concept of State-owned railroads is neither a new nor novel approach. The States of Georgia, North Carolina and Vermont have owned and leased rail lines for many years.[25] Many individuals expect more States to adopt this course in the future; however, the long-term financial commitments involved in this aproach may not be universally appealing.

In considering whether to purchase a line, a State must consider the purchase price and the rent to be paid to the State for use of the line. The salvage value of the line, assuming abandonment, should be the upper limit of its purchase price; rent should be based on the traffic volume generated. Any difference between the rental costs and the cost of maintaining the line and the return the State could have earned on the funds (through other projects), in effect would represent the subsidy for the operation of the branch line.

After purchasing a line the State could lease the line to a rail carrier for a specified level of service. This procedure would assure service in instances where the railroad was uncertain about the duration of operating assistance from a State or had failed to adequately forecast future traffic levels. The State may wish to take an equity position in the case of several branch lines to improve its bargaining position in negotiations with rail carrier management with respect to service levels on other branch lines. It is important to recognize that unless a State purchase/lease-back or purchase/contract for services allows a savings on the maintenance or rehabilitation costs of a line, there is little to recommend it. In other words, a truly uneconomic line will not change its performance as a result of a change in ownership.

If a State purchased a line and contracted for services, it would be in the transportation business and have a direct role in the determination of freight rates over its portion of the lines. Such an arrangement could be handled in two ways: the State could contract with Conrail or another carrier for a specified level of service on the branch line and in turn, sell that service to users; or the States could publish a set of tariffs and negotiate the division of revenue as well as the price that Conrail or another carrier could charge for providing service over the branch line.

Another alternative to maintain rail service would be ownership by groups of local shippers, employees, or other rail carriers. Under such an arrangement, the owners might lease the line to Conrail or some other carrier and contract for desired service levels. The local group might also decide to operate the branch line as a shortline railroad; however, it must be recognized that the assumption behind all such proposals is that the new owners can operate the line at lower cost or generate more traffic revenues than the prior rail management. In these types of proposals, lower costs are expected to result from "improved" labor conditions and the use of different techniques for maintenance and operation. Some shortlines have operated with less restrictive labor rules, but unless better service levels results, it cannot be assumed that local businesses, even with a financial interest in the railroad, will assure greater freight revenues and profits. Short line revenues, to a large extent, depend upon the rate divisions or freight absorption worked out with the main line carriers, and the feasibility of such ownership proposals must be examined with care. There is an advantage in placing the responsibility and control in the charge of those who benefit most directly from the preservation of the service. However, it must be realized that in many cases these are small businesses and their managements simply may not be capable of running their business and a railroad at the same time. It is suggested that the State might have to play a significant role in freight rate negotiations and be ready with subsidy if the operation failed. Such failure would obviously reflect on the financial viability of the owners of the branch line and could result in the failure of the firms involved and economic catastrophe for the entire region.

It should be noted that a State may use Federal funds under the RRR Act, as amended, to purchase the lines or to provide for their operation and rehabilitation to FRA Class I standards through accelerated maintenance. The State cannot do both. In other words, once a State uses the funds to purchase a line, it can no longer receive Federal funds for the operation or the rehabilitation of that line. Therefore, it would be to the State's advantage, whenever it decides that it wants to acquire a line, to postpone acquisition until the line has been rehabilitated.

It should also be noted that in some cases, it may prove cheaper in the long run for a State to rehabilitate the line and actually give that line to a profitable railroad, than for the State to continue to participate in paying for subsidized operations over that line.

One other alternative that should be considered by the State is the preservation of rights-of-way. If a decision is made with regard to a particular line that no combination of actions can reasonably be expected to make operation of the line economical, the State must consider whether the line should be preserved for the future. A State may have a quite distinct interest in the preser-

[25] William R. Black and James F. Runke, The State and Rural Rail Preservation; Alternative Strategies, (Lexington: The Council of State Governments, October, 1975) pp. 61–62.

vation of a right-of-way and the preservation of operations over it. Even if a right-of-way has little present potential, its dismantling could have a serious future impact on the area in which it is located. Furthermore, as energy costs increase in the future, motor carriers may lose their competitive advantage in serving industries located on some of the light-density lines, and many of the costs and service disadvantages of these lines may decline.

Economic development programs to attract rail-dependent industries. Every possible effort should be expended to attract rail-dependent industries to light-density lines. Essential to the achievement of such a goal is the rehabilitation of the lines, since new industries will not even consider locating on a line which is not up to at least FRA Class I Standards. Even when a line is in good condition, the competition to attract industries is extreme.[34] As David Richmond, the Economic Development Director of the Columbus Area Chamber of Commerce (Indiana) pointed out, "While some 3,500 new industrial plants are built each year, 16,000 development groups are at work trying to lure them."[35] It should also be recognized that while available rail transportation is an important criterion in site selection, it is only one of many and in a number of cases is actually the least important. In discussing the U.S. Steel Corporation's decision to locate a major steel mill in Conneaut, Ohio, Eliot Janeway made the following observation:

> * * * The consideration that stamps Conneaut, Ohio as a growth center of the future is neither accidental nor whimsical.
>
> Conneaut will be a major steel mill center because it already is a minor water shipping point. The day has long since passed when cheap rail transportation costs invited major industrial facilities to locate inland.
>
> Nowadays the pressure to cut the cost of handling basic bulk materials dictates the choice of coastal sites for major industrial facilities.[36]

It should be noted that some of the methods listed earlier that could be employed to keep an excluded line in service, such as a rail patron surcharge, may discourage new industries from locating on that line. All other factors being equal, a decision by a prospective rail user to locate on a rail line excluded from Conrail generally involves a much higher risk than a similar decision to locate on a profitable railroad.

[34] The recent establishment of a Volkswagen "Rabbit" assembly plant at New Stanton, Pennsylvania, is a classic example of the lengths to which development groups will go to secure industries. The reported initial package of incentives offered Volkswagen included the following:

The company would be exempted from franchise and realty transfer taxes.

The Pennsylvania Industrial Development Authority would grant a $40 million loan to buy an unused Chrysler Corporation plant for the auto firm to lease.

The State would spend $30 million of highway and rail links to the plant.

The State would waive 95 percent of local taxes the first two years and 50 percent the following two years.

The State would arrange for employee training.

The State would provide a $135 million tooling loan (Volkswagen decided later to do its own financing on this proposal when negotiations with Pennsylvania became snagged).

Source: "Rabbits In The Cabbage Patch," The Wall Street Journal, Vol. CLXXXVIII, No. 6, August 17, 1976, p. 18; "GOP Study Queries VW Plant Figures," The Washington Star, No. 275, October 1, 1976, p. C–6; Terry P. Brown, "VW Delays Start-Up Date At Its Facility In New Stanton: Parts Problems Develop," The Wall Street Journal, Vol. CLXXXVIII, No. 68, October 6, 1976, p. 2.

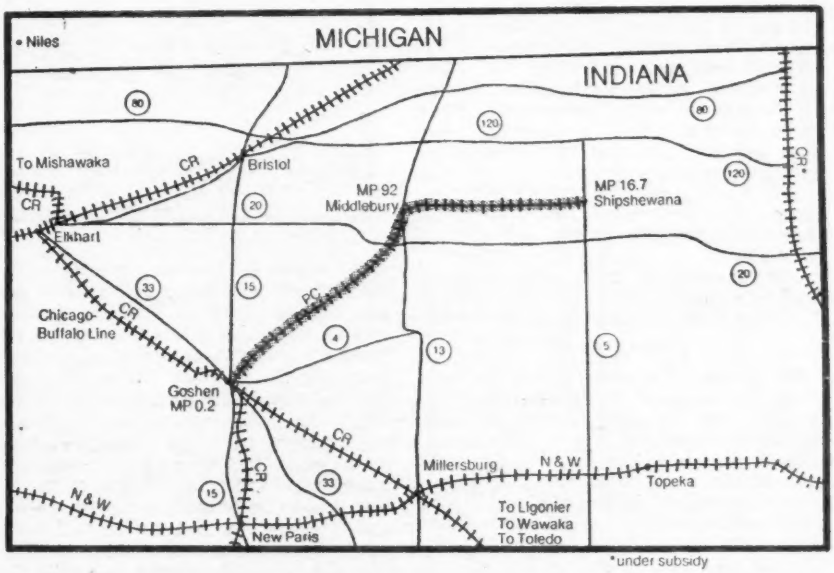
[35] David Richmond, "Americans Battle For Industry," The Republic, June 18, 1976, p. A–1.

[36] Eliot Janeway, "U.S. Steel Bets Against Inflation," The Washington Star, July 7, 1976, p. A–19.

Line-by-Line Analysis

USRA Line No. 399: Shipshewana Branch. The Shipshewana Branch, formerly part of the New York Central Railroad, extends easterly from Goshen, Indiana (milepost 0.2) to Shipshewana, Indiana (milepost 16.7), a distance of 16.5 miles. (Goshen traffic is not included in this line analysis since it is being served by Conrail.) The line is located in both Elkhart and La Grange Counties. The Branch connects at Goshen with both Conrail's Chicago to Buffalo line and its Warsaw to Marion line. On April 16, 1976, the Penn Central stopped all operations over the Branch because of unsafe track conditions. An embargo notice (No. 14–75) was issued on all traffic, effective April 21, 1975, to or from all stations on the line except Goshen. Rail service had not been resumed as of December, 1976.

FIGURE 1



The Shipshewana Branch serves an area of northeastern Indiana which is primarily agricultural and rural in nature. It is characterized by a number of small towns which serve as trading centers for the surrounding farms. In the two counties which the line serves, only the towns of Elkhart and Goshen are of sufficient size and market area to support a relatively extensive non-agricultural sector. While industrial development in the general area served by the line has been impressive over the past decade, that growth has been primarily in an industry, the manufacturing of mobile and modular homes and recreational vehicles, which appears to be somewhat limited in its ability to use rail service. Lumber used by this industry may be shipped in by rail, but the finished products are shipped out by truck.

The State of Indiana, the Goshen Chamber of Commerce, local rail patrons, and information received from the Penn Central during the restructuring in 1974 provided the RSPO Project Team with a list of 37 firms that were alleged to have used the Shipshewana Branch. Of these 37 firms, four were no longer in existence at the time the RSPO Project Team was interviewing, and local officials and rail patrons had no knowledge of the existence of four other firms. The 29 remaining firms were judged capable of generating carload business. The other businesses in these towns are almost exclusively small commercial and retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

Of the 29 principal businesses, seven are directly associated with the manufacture of mobile and modular homes and recreational vehicles; six provide accessories or services to this industry; six have an agricultural orientation; three are retail lumber and building supply

dealers; and seven are engaged in a wide range of other activities. Ten of these firms stated that they had never used the Shipshewana Branch and had no intention of using it in the future. Four firms indicated that they had used the Branch in the past (between 1961 and 1970) but had no intention of using it in the future. One firm stated that it had never used the Branch but did use the former Penn Central line at Goshen. Four firms stated that they were active users of the Branch during the period from 1967 to 1973, but for a variety of reasons they have curtailed their use of the service. The remaining ten rail patrons were active users of the line during 1974 and until its close in 1975.

Carload traffic statistics for the Branch for the years 1952 through 1975, indicated: (1) There was a 55 percent decline in traffic volume between 1970 and 1974; (2) only 3.5 percent of the total volume generated by the line was originating traffic; (3) in 1973, lumber and wood products accounted for 70.7 percent of the total carloads generated; (4) traffic on the line was predominantly "short-haul" business for the Penn Central; (5) of the total revenue generated by the line, only 19.5 percent was Penn Central's share; and (6) average revenues received on this line were lower than system averages.

Ten firms presented RSPO with information concerning their alternate shipping arrangements. Six of the firms have shifted traffic to other railheads in the general area, using motor carriage for the last segment of the journey. Four firms have totally abandoned rail service.

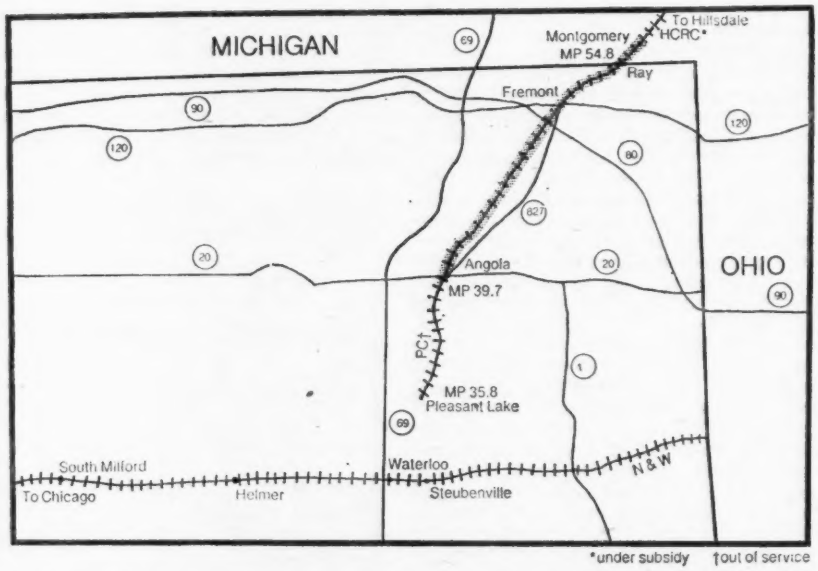
Conclusions

The option of operating this line as a short line railroad owned by an independent and/or rail patron operator should be considered. The new operator, with State assistance, could attempt to renegotiate rates with Conrail, based on cars being terminated at Goshen, and could assess patrons on the line a flat charge for handling their traffic between Goshen and their siding or the nearest team track. Off-track mobile track equipment of the type employed by the Hillsdale County Railway Company, Inc., on USRA Line No. 401, to handle a limited number of cars might be effectively employed on these excluded rail lines. Moreover, the employment of this equipment to serve several Indiana light-density lines is a possibility.

Rail patrons should explore with Conrail the feasibility of developing a new type of rail car designed to move recreational vehicles or mobile homes.

USRA Line No. 401: Waterloo Branch. The Waterloo Branch, formerly part of the New York Central Railroad, extends northeast from Angola, Indiana (milepost 39.7) through Fremont (milepost 47.4), Ray, Indiana (milepost 51.5), and Montgomery, Michigan (milepost 54.8) to Hillsdale, Michigan. The State of Indiana requested the RSPO to analyze only that portion of the Waterloo Branch that extends from Angola to Montgomery, a distance of 15.1 miles. (Montgomery traffic is not included in this line analysis since it is being served by the Hillsdale County Railway Company, Inc.) That portion of the line which is located in Indiana serves portions of Steuben County. At one time the Waterloo Branch extended directly south from Angola through Pleasant Lake (milepost 35.7) to Waterloo, Indiana (milepost 25.6). It should be noted that during the 1976 tourist season, the Little Miami Railroad operates steam engine passenger train service on Saturdays, Sundays, and holidays between Angola and Pleasant Lake.

FIGURE 2



The Waterloo Branch provides service through the extreme northeastern portion of the State of Indiana. Steuben County is contiguous with Branch and Hillsdale Counties in Michigan, and Williams County in Ohio. This area is primarily agricultural and rural in nature, producing significant amounts of livestock, dairy products, soybeans, small grains, and the usual wide variety of truck crops which are typical of the entire State. Geographically, the area is characterized by flat to gently rolling fertile farm land, with numerous lakes and rivers which attract a substantial number of tourists. No large towns are situated within Steuben County or within the service area of the Branch. Most of the towns within the County are basically trading centers, servicing the surrounding agricultural area. Angola is the County seat and is typical of the towns in the region. Industrial employment in the town is dominated by light manufacturing and professional and related services follow close behind.

The State of Indiana, the Angola and Fremont Chambers of Commerce, the Hillsdale County Railway Company, local rail patrons, and information received from the Penn Central during the railroad restructuring in 1974, provided the RSPO Project Team with a list of 60 firms that were alleged to have used the Angola-Montgomery Line. Of these 60 firms, three were no longer in existence at the time the RSPO Project Team was interviewing, and local officials and rail patrons had no knowledge of the existence of five other firms. Seven firms were immediately rejected for interviewing purposes because of their size, type of product sold or service rendered. The remaining 45 firms were judged capable of generating carload business. The other businesses in these towns are almost exclusively small commercial and retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

Of the 45 firms interviewed, 23 firms stated that they had never used the railroad and have no intention of using it in the future. Six firms indicated that they had used the railroad in the past (between 1964 and 1975) but had no intention of using it in the future. Eight firms claimed they were active users of the railroad until 1975 but for a variety of reasons has curtailed their use of the service. The remaining eight rail patrons are active users of the line. Of the eight firms interviewed, three flatly stated that they were not contemplating any future expansion and one stated that, while no future plant expansion was contemplated, sales were expected to rise. Four firms expected to increase their storage facilities.

Carload traffic statistics applicable to the Angola-Montgomery line indicate: (1) The line has a limited number of rail patrons and commodities; (2) traffic volume is declining; (3) the line generates primarily terminating traffic; (4) the Penn Central received only approximately 32 percent of the total revenue

generated; and (5) average line revenues were lower than system averages.

For the period April through September, 1976, actual train operations over the line segment incurred a deficit of $28,358. For nine months of operation (April through December), the line generated 139 carloads of freight; on an annualized basis this indicates that traffic levels have fallen by more than 30 percent since 1973.

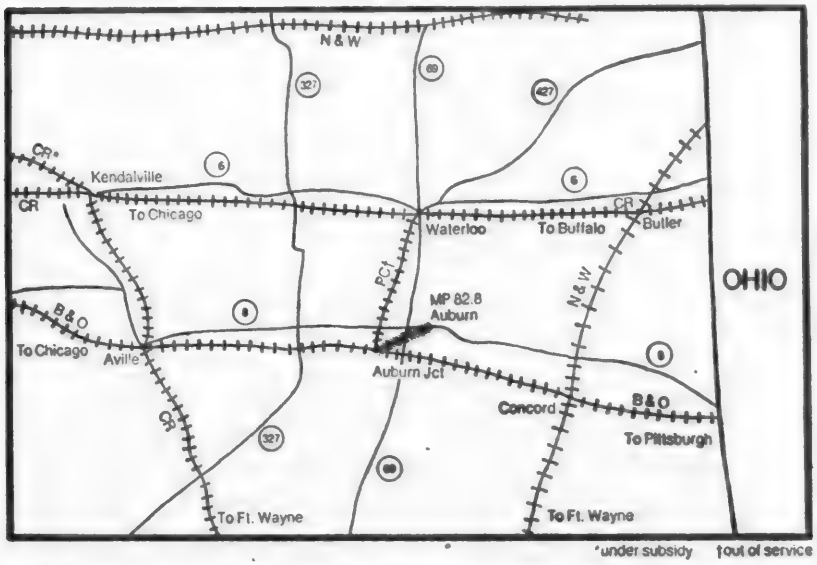
CONCLUSIONS

The viability of the line could be improved by upgrading and promoting the use of team tracks along the line.

The continued operation of this line by the Hillsdale County Railway Company, Inc., a short line railroad, should result in the most economical operation.

USRA Line No. 417a: Auburn Junction Branch. The Auburn Junction Branch, formerly part of the New York Central Railroad, extends northeasterly from Auburn Junction, Indiana (milepost 81.4) to Auburn, Indiana (milepost 82.8), a distance of 1.4 miles. The line is located in Dekalb County and connects at Auburn Junction with the Chessie System's main line between Chicago and Pittsburgh.

FIGURE 3



The Auburn Junction to Auburn line provides service through an area of Indiana which is predominantly agricultural in nature. The area produces livestock, dairy products, soybeans, and a number of small grains, such as wheat. Cash truck crops also are produced by farms in the area. Most of the towns in the County are small, serving as market centers for the surrounding agricultural area. Auburn, however, and several of the smaller towns in the southern portion of the County, possess a greater proportion of manufacturing activity than is true of towns in counties to the north and west. The proximity of Dekalb County to the Fort Wayne SMSA is undoubtedly the major reason for this higher level of manufacturing activity.

The State of Indiana, the Auburn Chamber of Commerce, local rail patrons, and information received from the Penn Central during the railroad restructuring in 1974, provided the RSPO Project Team with a list of 23 firms that were alleged to have used the Auburn Junction to Auburn line. Of these 23 firms, only three were active rail users in 1976. The RSPO Project Team found no evidence of industrial planning or development along the line.

Carload traffic statistics applicable to the line indicate: (1) The line is dependent on the shipment of one rail patron, and he ships a limited number of commodities; (2) traffic volume is declining; (3) the line generates only terminating traffic; and (4) Penn Central received only 32.9 percent of the total revenues generated by these shipments.

For the months of May, June, and July, 1976, actual train operations over the line segment incurred a deficit of $4,592. However, for the three months of April to June, the line generated 81 carloads of freight; on an annualized basis, this indicates that traffic levels have increased nearly 9 percent over 1973 levels.

CONCLUSIONS

The viability of the line could be improved by upgrading and promoting the team tracks at Auburn.

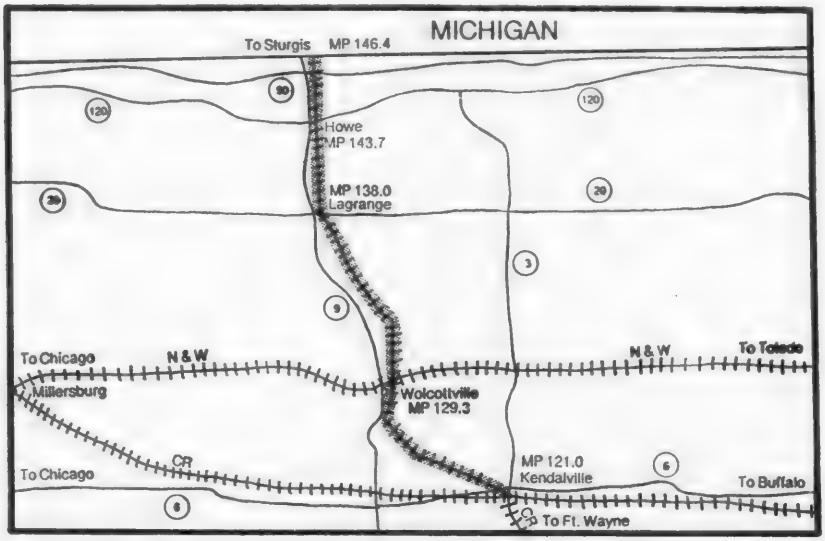
The purchase of the line by the State for an ultimate transfer to the Chessie System should be considered.

A short line operator, with State assistance, could attempt to renegotiate rates with the Chessie, based on the cars being terminated at Auburn Junction, and could assess rail patrons a flat charge for the handling of the cars be-

tween Auburn Junction and their siding or the nearest team track.

USRA Line No. 418; Grand Rapids and Indiana Branch. The GR&I Branch, formerly part of the Pennsylvania Railroad, extends northwesterly from Kendallville, Indiana (milepost 121.0) through Wolcottville (milepost 129.3), La Grange (milepost 138.0), and Howe, Indiana (milepost 143.7) to Sturgis, Michigan (milepost 149.4), a distance of 28.4 miles. The State of Indiana requested the RSPO to analyze only that portion of the GR&I Branch that extends from Kendallville (milepost 121.0) to the Indiana-Michigan State line (milepost 146.4), a distance of 25.4 miles. (Kendallville traffic is not included in this line analysis since it is being served by Conrail.) This portion of the line is located in both La Grange and Noble Counties and connects at Kendallville with Conrail's Chicago-Toledo line; at Wolcottville with the N&W Railway; and at Sturgis with Conrail.

FIGURE 4



The GR&I Branch provides service through a rural area of extreme northeastern Indiana which is dominated by agriculture. The area produces livestock, dairy products, soybeans, various small grains, and the typical variety of truck crops common to farms in this part of the country. The region also has a significant forestry industry. In addition to agriculture and forestry, the area is influenced by the manufacturing of mobile an dmodular homes and recreational vehicles. Towns in this area are small and typically serve as market centers for the surrounding agricultural area. The only towns of significant size in the service area of the branch are La Grange, the county seat of La Grange County, and Kendallville.

Of the list of rail patrons supplied to the RSPO Project Team, only nine firms, six of which are located in La Grange, were active rail users in 1976. The line's traffic is dominated by Duo-Therm, a division of Motor Wheel Corporation, which manufactures heating equipment for the mobile and modular homes and recreational vehicles industry. Duo-Therm, which employs an average of approximately 500 people in La Grange, accounted for 61.4 percent of the total carloads and 32.7 percent of the total tonnage generated in 1973 by the Branch. There are no longer any active rail patrons of this line in Wolcottville. The RSPO Project Team found no evidence of industrial planning or development along the line.

For the months of May, June and July, 1976, actual train operations over the line segment incurred a deficit of $7,532. For six months of operation (April–September) the line generated 77 carloads of freight; on an annualized basis this indicates that traffic levels have fallen to 35.3 percent of 1973 levels.

Conclusions

The benefits of terminating rail service between Kendallville and La Grange should be considered.

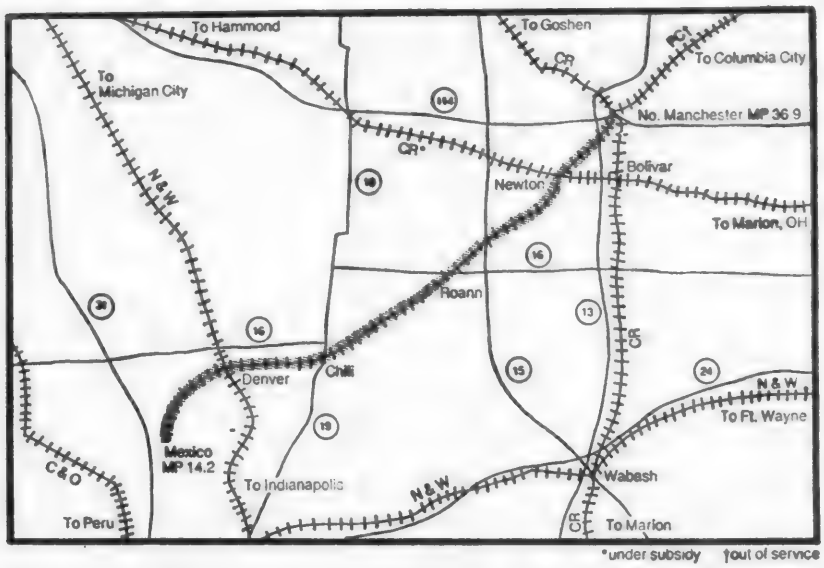
Upgrading and promoting the use of the N&W team track at Wolcottville should be considered.

The possibility of having rail patrons between the Indiana-Michigan State line and La Grange served by Conrail's Quincy-White Pigeon line which runs south from Sturgis, Michigan, should be considered.

USRA Line 419: Columbia City Secondary Track. The Columbia City Secondary Track, formerly part of the Pennsylvania Railroad, extends northeasterly from Mexico, Indiana (milepost 14.2) through Denver (milepost 18.2), Roann (milepost 29.5), Ijamsville, and North Manchester (milepost 36.9) to Columbia City, Indiana (milepost 55.3), a distance of 41.1 miles. The State of Indiana requested the RSPO to analyze only that portion of the Columbia City Secondary

Track that extends from Mexico (milepost 14.2) to North Manchester (milepost 36.9) a distance of 22.7 miles. (North Manchester traffic is not included in this line analysis since it is being served by Conrail.) This portion of the line is located in both Miami and Wabash Counties. This line branches off Conrail's Goshen to Anderson line at North Manchester, and crosses at grade with both the EL line at Newton and the N&W at Denver, Indiana.

FIGURE 5



*under subsidy †out of service

The Columbia City Secondary Track services an area which is predominantly agricultural and rural in nature. It specializes in the production of livestock, dairy products, soybeans, and various small cash grains. The towns along the line and in the immediate area are typical small rural towns, whose principal reason for being is to service the surrounding agricultural community. None of the towns involved has developed large nonagricultural economic sectors. Of the six principal establishments along the line, five have an agricultural orientation and one is a brass foundry.

The State of Indiana, the North Manchester Chamber of Commerce, local rail patrons, and information received from the Penn Central during the railroad restructuring in 1974 provided the RSPO Project Team with a list of 11 firms that were alleged to have used the Mexico to North Manchester portion of the line. Of these 11 firms, three were no longer in existence at the time the RSPO Project Team was interviewing and two others were found to be located on another Penn Central line in North Manchester. The remaining six firms were judged capable of generating carload business. The other businesses in these towns are almost exclusively small commercial and retail establishments that rely on motor carriers to handle their predominantly small shipments.

Of the six firms interviewed, one firm indicated that it had used the railroad in 1964 but had no intention of using it in the future. The remaining five firms are active users of the line. Of the five firms interviewed, four stated that they do not contemplate future expansion and the remaining firm stated that it was just completing its new 50,000 bushel grain storage facility.

Carload traffic statistics applicable to the Mexico to North Manchester line indicate: (1) That with but few exceptions, the basic commodities transported to or from points on the line have historically consisted of agriculture-related products; (2) the line serves a limited number of rail patrons; (3) traffic volume is declining; (4) the line originates primarily seasonal traffic; (5) originating traffic on the line was mainly destined for export via the east coast; (6) of the total revenue generated by the line, over 67 percent was Penn Central's share; and (7) average line revenues were higher than system averages.

For the months of May, June and July, 1976, actual train operation over the line incurred a deficit of $11,073. For six months of operation (April-September), the line generated 65 carloads of freight; on an annualized basis this indicates that traffic levels have fallen to 83.3 percent of 1973 levels.

While North Manchester appears to have the potential for modest growth, the area from Mexico up to North Manchester is essentially tied to a single industry and does not appear to have the potential for significant growth or the introduction of rail oriented industries (other than agri-businesses). The RSPO Project Team found no evidence of industrial planning or development along the line.

Conclusions

Terminating rail service between Roann and North Manchester should be considered.

The possibility of having rail patrons in the cities of Mexico and Roann served by the N&W should be considered.

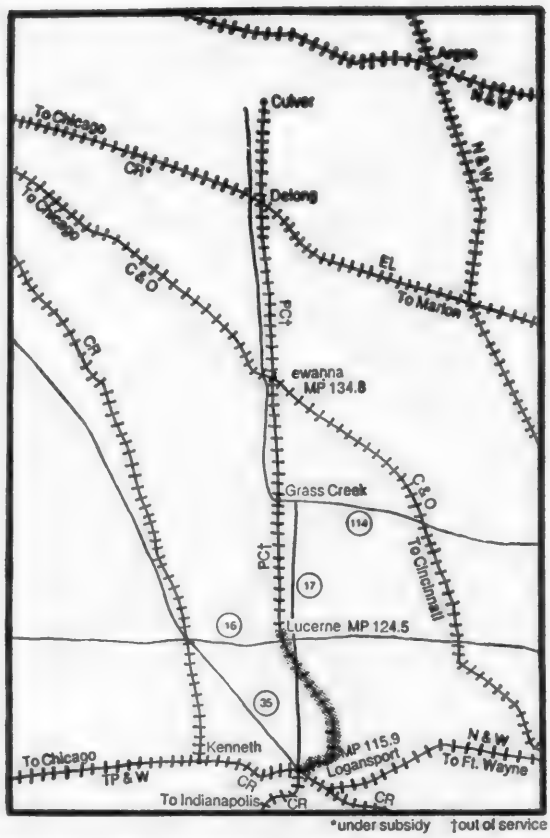
Consideration should be given to the possibility of terminating service along the entire line after establishing, upgrading, and promoting the use of the N&W team track at Denver.

The purchase of the line for ultimate transfer to the N&W or a short line operator should be considered.

A short line operator, with State assistance, could atempt to renegotiate rates with the N&W based on the cars being terminated at Denver and could assess rail patrons a flat charge for the handling of the cars between Denver and Mexico and Roann and their siding or the nearest team track.

USRA Line No. 423: Culver Secondary Track. The Culver Secondary Track, formerly part of the Pennsylvania Railroad, extends directly north from Logansport, Indiana (milepost 115.9), through Lucerne (milepost 124.5) to Culver, Indiana (milepost 148.6), a distance of 32.7 miles. The State of Indiana requested the RSPO to analyze only that portion of the Culver Secondary Track that extends from Logansport to Lucerne, a distance of 8.6 miles. (Logansport traffic is not included in this line analysis since it is being served by Conrail.) This portion of the line is located in Cass County. At one time the Culver Secondary Track extended northward from Logansport through Plymouth and all the way to South Bend, Indiana. That portion of the line under study connects at Logansport with Conrail's Chicago-to-Columbus line, the N&W and Conrail's I&F Branch. Kewanna is served by the Chessie System's Chicago-Cincinnati line and DeLong is served by the Chicago-Marion, Ohio line which is being operated by Conrail.

FIGURE 6



*under subsidy †out of service

The Culver Secondary Track provides service through an area which is primarily agricultural and rural in character. Case County is not located near any of the highly populated SMSA's in Indiana and is not distinguished by any significant industrial development. With the exception of Logansport, which serves as a distribution center and the county seat, the towns along the line are small in size and provide services for the surrounding farms.

The State of Indiana, the Logansport Chamber of Commerce, local rail patrons, and information received from the Penn Central during the railroad restructuring in 1974 provided the RSPO Project Team with a list of 4 firms that were alleged to have used the Logansport-Lucerne portion of the line. Of these 4 firms, one was located in Logansport and another, Scheetz Sales and Service, was preparing to go out of business. Lucerne Elevator and Sohigro are the only two rail users of this line.

Carload traffic statistics applicable to the Culver Secondary Track for the years 1964–1975 indicated: (1) That while traffic over the entire line was decreased steadily since 1969, it did stabilize in Lucerne during the period from 1973 to 1975; (2) traffic density, cars per mile, along the entire line was: 11.3 in 1969; 5.4 in 1970; 5.2 in 1971; and 3.4 in 1972; (3) with but few exceptions, the basic commodities transported to or from points on the entire line have historically consisted of agriculture related products; (4) only terminating traffic was generated by the line; and (5) while per ton revenue averages were lower than system averages, car revenue averages were higher.

For the months of May, June and July of 1976, actual train operations over the Logansport-Lucerne line segment incurred a deficit of $1,257. For six months of operation (April–September) the line generated 22 carloads of freight; on an annualized basis this indicated that traffic levels have fallen to 45.8 percent of 1973 levels.

While Logansport appears to have the potential for modest growth, the Lucerne area is essentially a very small one-industry town and does not appear to have the potential for significant growth or the introduction of rail-oriented industries (other than agri-business). The RSPO Project Team found no evidence of industrial planning or development in the immediate area.

CONCLUSIONS

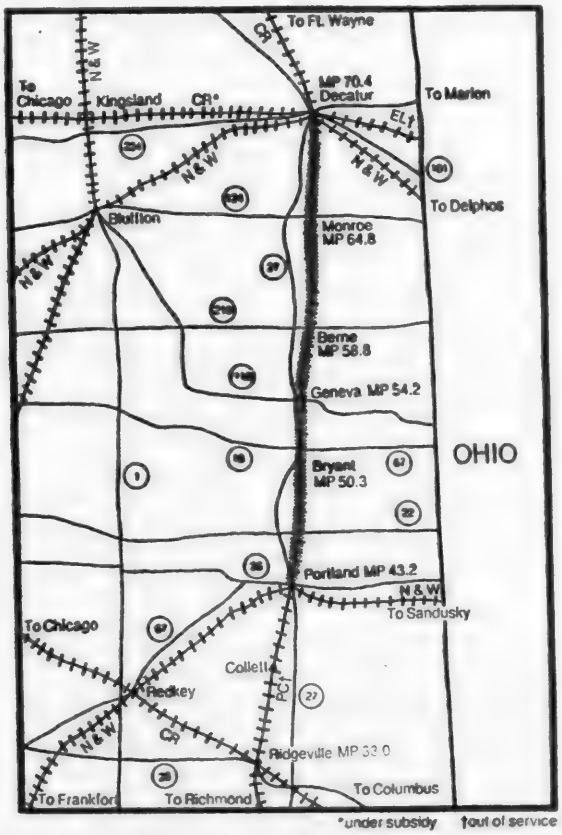
The extension of Conrail's Logansport Yard Limits to include Lucerne should be negotiated.

Purchase of the line for ultimate transfer to Conrail should be considered.

Upgrading and promoting the line's use as a team track should be considered.

USRA Line No. 429: Ridgeville Secondary Track. The Ridgeville Secondary Track, formerly part of the Pennsylvania Railroad, extends directly north from Ridgeville, Indiana (milepost 33.0) through Portland (milepost 43.2) to Decatur, Indiana (milepost 70.4), a distance of 37.4 miles. The State of Indiana requested the RSPO to analyze only that portion of the Ridgeville Secondary Track that extends from Portland through Bryant (milepost 50.3), Geneva (milepost 54.2), Berne (milepost 58.8), and Monroe (milepost 64.8) to Decatur, a distance of 27.2 miles. (Decatur traffic is not included in this line analysis since it is being served by Conrail.) This portion of the line is located in both Adams and Jay Counties. The Ridgeville Secondary Track continues south from Ridgeville to Richmond and north from Decatur to Ft. Wayne. That portion of the line under study connects at Decatur with both the N&W and the former EL's Chicago-Marion, Ohio line: there is also a non-active connection at Portland with the N&W.

FIGURE 7



The Ridgeville Secondary Track serves an area which is predominantly agricultural and rural in nature. Most of the towns in the general area, and specifically in and around the branch line, are small in size, and serve primarily as market centers for the surrounding agricultural communities. Adams County, however, is located in the extreme southeastern corner of the Fort Wayne SMSA, and, therefore, has some industrial development in its northern half.

An analysis of the establishments along the line shows a heavy preponderance of firms that produce or sell items that are not particularly rail-oriented. Of the 54 principal industries, 25 assemble and/or manufacture a diversified number of products, 14 have an agricultural orientation, 7 are retail lumber and building supply dealers, and 8 engage in a wide range of activities.

The State of Indiana, the Chambers of Commerce of Portland, Berne and Decatur, local rail patrons, and information received from the Penn Central during the railroad restructuring in 1974, provided the RSPO Project Team with a list of 68 firms (excluding those firms located in Decatur and Hoagland which are served by Conrail) that were alleged to have used the Portland-Decatur line. Of these 68 firms, 7 were no longer in existence at the time the RSPO Project Team was interviewing, 4 firms were actually located on the N&W line in Portland, and 3 firms were counted twice. Local officials and rail patrons had no knowledge of the existence of 4 other firms. The remaining 50 firms were judged capable of generating carload business. The other businesses in these towns are almost exclusively small commercial and retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

Of the 50 firms interviewed, 10 firms stated that they had never used the railroad and have no intention of using it in the future. One firm indicated that it had never used the railroad, but "anticipated" its usage. Twelve firms indicated that they had used the railroad in the past (between 1940 and 1973) but had no intention of using it in the future. Two firms claimed they were active users of the railroad until 1972 but for a variety of reasons had curtailed their use of the service. The remaining 25 rail patrons are active users of the line. Of the 25 firms interviewed, 14 stated that they did not contemplate future production expansion and 5 stated that, while no plant expansion was contemplated, sales were expected to rise significantly.

Carload traffic statistics applicable to the Portland-Decatur line indicate: (1) The line has a limited number of rail patrons and commodities generated; (2) traffic volume is declining; and (3) the line generates primarily terminating traffic.

For the months of May, June and July of 1976, actual train operations over the line segment incurred a deficit of $11,121. For six months of operation (April-September), the line generated 213 carloads of freight; on an annualized basis this indicates that traffic levels have fallen to 57.4 percent of 1973 levels.

CONCLUSIONS

Rail patrons should explore with the operating railroad the feasibility of developing a new type of rail car designed to move mobile homes outbound from Monroe and Portland over the railroad.

The feasibility of extending Conrail's Decatur Yard limits to include Berne and Monroe should be explored.

Consideration should be given to serving rail patrons in the City of Portland by the N&W.

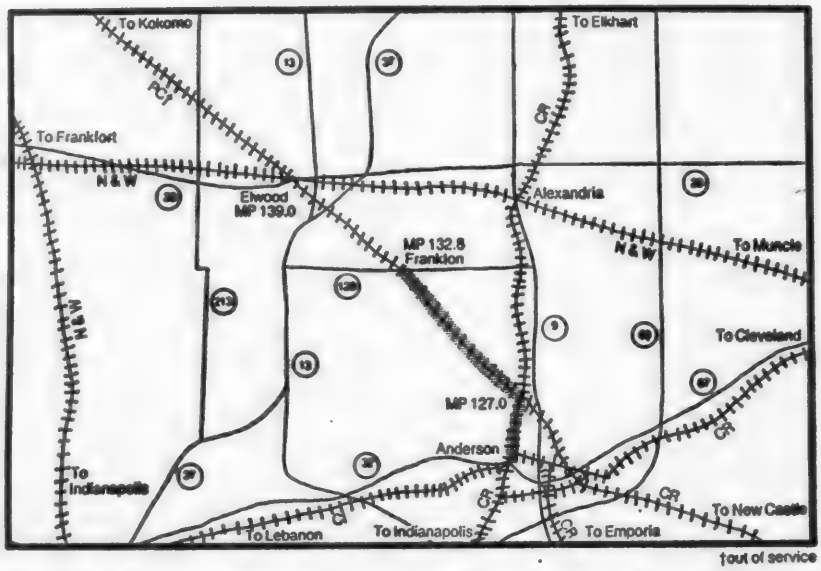
The creation of a short line railroad by an independent and/or rail patron operator to serve the branch should be considered. The operator, with State assistance, could attempt to renegotiate rates based on the cars being terminated at Decatur or Portland and could then assess rail patrons a flat charge for the handling of the cars between Decatur and Portland and their siding or the nearest team track.

The benefits of terminating rail service between Portland and Berne should be considered.

USRA Line No. 523: Richmond Branch. The Richmond Branch, formerly part of the Pennsylvania Railroad, extends from Anderson, Indiana (milepost 123.3), northwest through Florida (milepost 128.0), and Frankton (milepost

132.8) to Van (Logansport), Indiana (milepost 183.4), a distance of 60.1 miles. The State of Indiana requested the RSPO to analyze only that portion of the Richmond Branch that extends from Anderson (milepost 127.0) to Frankton (milepost 132.6), a distance of 5.6 miles. (Anderson traffic is not included in this analysis since it is being served by Conrail.) This portion of the line is located in Madison County. The line segment is part of the Logansport-Richmond-Cincinnati Branch. At Anderson, Conrail's Cleveland-Indianapolis line, its Michigan Branch, and its line to Emporia and Knightstown cross.

FIGURE 8



†out of service

This is a non-signaled, single track line served by a 4 or 5 man extra local freight crew using a general purpose diesel unit (1750 HP). The train, consisting of 3 to 12 cars is assembled by a yard crew at Anderson and the extra local freight crew departs with the train and travels a maximum of 9.6 miles from Anderson Yard to the most distant point, milepost 132.6, in serving rail patrons at Frankton. This crew will usually complete work on the subsidized portion of the line in one hour.

This line from Anderson to milepost 127 is in Conrail, and the patrons are served by Conrail.

This line is a portion of the former Richmond Branch of the Cincinnati Division and train and engine employees having seniority are used in manning trains operating on this line. Employees for the local freight crew are based at Richmond, Indiana and, when called, are deadheaded to Anderson. After performing service on the line the crew is deadheaded back to Richmond. Members of the crew are paid two hours deadhead from Richmond and two hours deadhead back to Richmond, plus mileage allowance account, furnishing their own transportation.

This is a single track line consisting of 130 and 100 pound rail laid in lengths of 30 and 33 feet. The track between milepost 127 and a point near milepost 130 exceeds FRA Class I track standards. Conrail does not have any slow orders in effect on this line and timetable 6 authorizes 30 m.p.h. on the line.

The track beyond milepost 130 to the end of track sign, milepost 132.6 has a number of deteriorated ties and loose and broken rail joint bars and does not meet Class I track standards.

This 5.6 mile line was inspected by Indiana state track inspectors who estimate it would cost $97,608 to restore it to Class I standards. This cost would cover retieing through and repairing three road crossings. This line has 12 public road crossings at grade, one passing siding and several spur tracks in or near Frankton.

The Branch serves an area which is predominantly agricultural and rural in nature, characterized by general farming, livestock production, hog raising, and the growing of winter wheat. Frankton is located within the Anderson SMSA and is influenced by more non-agricultural economic activity than would be true of most rural locations. Frankton has a population of 1,796 and has over 340 farmers in its immediate vicinity.

The State of Indiana, the Anderson Chamber of Commerce, local rail patrons, and information received from the Penn Central during the restructuring in 1974, provided the RSPO Project Team with a list of 6 firms that were alleged to have used the Anderson to Frankton portion of the line. Of these 6 firms, one had gone out of business and another "firm" was actually two farmers who had last used the railroad in 1972. Of the remaining four rail users, one had never used the railroad in Frankton. The other three rail patrons are active users of the line.

Inbound shipments have been decreasing slightly in the past five years, but outbound shipments, due to the growth of one of the shippers, Rydman and Fox, have been increasing. The great majority of traffic on the line is accounted for by the Rydman and Fox grain elevator, which has increased its share and total amount of traffic as other firms decreased or kept theirs the same. This growth has occurred since 1974, when Rydman and Fox finished an 1800 foot siding to their plant and began shipping out grains. Before that year, shipments over the line were predominantly inbound; now the majority of shipments are outbound. The Rydman and Fox elevator has more than doubled the carloads it shipped between 1974 and 1975. The firm has said that in two or three years this volume could double again, due to plans for additional storage which would allow the movement of grain in 100 car unit-trains.

For the months of May, June and July, actual train operations over the Anderson to Frankton line segment incurred a deficit of $637. For six months of operation (April–September) the line generated 72 carloads of freight; on an annualized basis this would indicate that traffic levels have increased to 248.3 percent of the 1973 levels.

Conclusions

The feasibility of extending Conrail's Anderson Yard Limits to include the facilities of Rydman and Fox at milepost 130.2 should be explored. Simultaneously, the viability of the line could be improved by upgrading and promoting the use of the line as a team track. The improvement could be made around milepost 130.2, with the cooperation of Rydman and Fox.

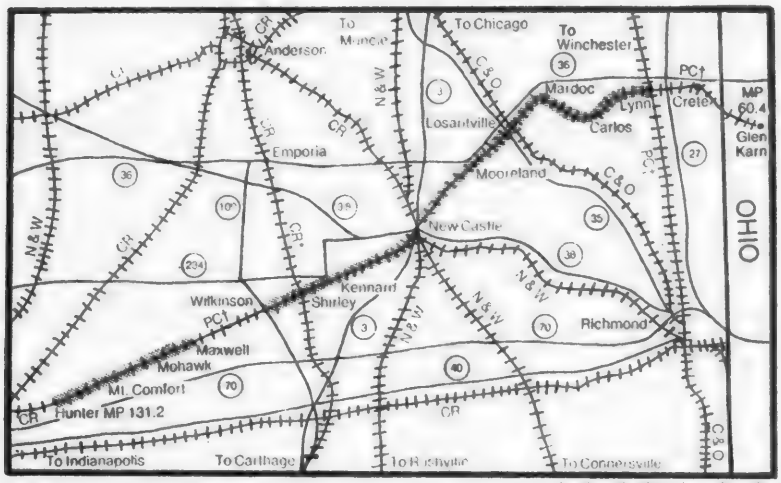
The rehabilitation of certain sections (milepost 127.0 to milepost 130.2) of the line would lower the operating costs, thereby contributing significantly to the future viability of the line, and at the same time, improving its attractiveness to both potential rail users and other railroads.

The advantageous of purchasing the line for ultimate transfer to Conrail should be considered.

USRA Line No. 554: Springfield Branch. The Springfield Branch, formerly part of the New York Central Railroad, extends directly west from Glen Karn, Ohio (milepost 60.4), through Lynn, Indiana (milepost 68.6), Carlos City (milepost 74.5), Modoc (milepost 80.0), Losantville (milepost 83.5), Mooreland (milepost 87.6), Epileptic Village (milepost 93.6), New Castle (milepost 95.3), Kennard (milepost 104.1), Shirley (milepost 107.3), Wilkinson (milepost 109.0), Maxwell (milepost 118.0), Mohawk (milepost 121.5), and Mount Comfort (milepost 125.6), to Hunter, Indiana (milepost 131.2), a distance of 70.8 miles. The line continues west from Hunter to Indianapolis and east from Glen Karn to Springfield. The State of Indiana requested the RSPO to analyze two portions of the Branch: from Hunter to Maxwell, a distance of 13.2 miles and from Wilkinson to Lynn, a distance of 40.4 miles. The

nine-mile portion between Maxwell and Wilkinson is not included in Conrail nor is it being operated under the subsidy program. The 1.6 mile portion of the line at New Castle (milepost 96.9 to milepost 95.3) is included in Conrail; and, therefore, the traffic generated by it has not been included in this line analysis. That portion of the line which is located in Indiana serves portions of Marion, Hancock, Henry and Randolph Counties. USRA Line No. 554 has connections with the following lines: the former Penn Central's Anderson to Grensburg Secondary Track at Shirley; Conrail's Richmond Branch, and the N&W at New Castle; the Chessie System at Losantville, and Conrail's Newman Secondary Track at Lynn.

FIGURE 9



*under subsidy †out of service

The Springfield Branch provides service to an area that has a mixed rural and diversified industrial environment. The land use along the rail line from Hunter to Lynn is devoted primarily to farming and agricultural activities. Corn, hogs, and winter wheat constitute the major cash crops in the area. Industrial activities are concentrated in the area from Indianapolis eastward to Hunter and in New Castle. Most of the towns in the general area are basically trading centers servicing the surrounding areas. New Castle, however, is the county seat of Henry County, where employment is dominated by light industries and supporting services.

The State of Indiana, the New Castle Chamber of Commerce, local rail patrons and information received from the Penn Central during the railroad restructuring in 1974, provided the RSPO Project Team with a list of 58 firms that were alleged to have used the portions of the Springfield Branch under study. Twenty-four of these firms were judged capable of generating carload business. The remaining businesses in these towns are almost exclusively small commercial and retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

Of the 24 firms interviewed, six firms indicated they had used the railroad in the past but had no intention of using it in the future. The remaining 18 rail patrons are active rail users. Of the active rail users interviewed, three stated that, while no plant expansion was contemplated, their sales were expected to increase significantly. Three firms projected increases in their storage facilities; the remaining firms did not expect any expansion of facilities or sales. Rail shipments of grains are expected to increase.

This line is heavily dependent upon the agri-business, and 17 of its patrons are directly associated with agriculture and account for 89.2 percent of all carload traffic on the line.

The RSPA Project Team found no evidence of industrial planning or development along the portions of the Branch under study.

For the months of May, June and July, 1976, actual train operations over the segment between Hunter and Maxwell incurred a deficit of $408. For six months of operation (April–September), the segment generated 145 carloads of freight; on an annualized basis this indicates that traffic levels have fallen to 278.8 percent of 1973 levels.

Conclusions

The following operational changes should be considered:

(1) Serve the line with crews from Hawthorne Yard on the east side of Indianapolis instead of crews out of the Avon Yard on the west side.

(2) Upgrade the entire line to FRA Class II track standards (25 mph) between Hunter and Lynn.

(3) Serve the entire line between Hunter and Lynn with a train crew assigned to go on and off duty at Hawthorne Yard.

(4) Abandon USRA Line No. 578/579a between Emporia (milepost 173.5) and Shirley (milepost 181.0).

(5) In lieu of (2) and (3) serve USRA Line No. 554 from Hunter (milepost 131.2) to Shirley (milepost 107.3) and

USRA Line No. 578/579a from Shirley (milepost 181.0) to Carthage (milepost 193.5) with a crew serving out of Hawthorne.

(6) Abandon USRA Line No. 554 east of Shirley (milepost 107.3) to (milepost 96.9) just east of New Castle.

(7) Continue to serve USRA Line No. 554 between New Castle (milepost 95.3) and Lynn (milepost 68.6) as is presently being done with the Anderson-New Castle Conrail crews.

Team tracks along the line offer potential revenues and consequently should be upgraded and their use promoted.

USRA Line No. 571/571a: Whitewater Running Track. The Whitewater Running Track, formerly part of the New York Central Railroad, extends northwest from Valley Junction, Ohio (milepost 17.7), through Harrison, Ohio (milepost 25.4), New Trenton, Indiana, (mile post 32.0), and Cedar Grove (milepost 36.7) to Brookville, Indiana (milepost 43.5), a distance of 25.8 miles. The State of Indiana requested the RSPO to analyze the entire line. Valley Junction, Ohio, traffic is not included in this line analysis since it is being served by Con-Rail. That portion of the line which is

FIGURE 10

†out of service

located in Indiana serves portions of both Dearborn and Franklin Counties and connects at Valley Junction with Con-Rail's Cincinnati-to-Kankakee line. The northern connection from Brookville (milepost 43.9) to Connersville (milepost 67.3) is out of service.

The line is a non-signalled, single track line with industry and team tracks near milepost 19 and milepost 21. There is also a runaround passing siding at Brookville.

The Whitewater Running Track provides service through an area which is primarily agricultural and rural in character. Brookville, the northern terminus of the line, is the only city of any size in the area served. The 1970 Census indicated a total employment in Brookville of 1,073 persons. 409 of these held manufacturing jobs; 246 were employed in wholesale and retail trade; and 138 were employed in professional and related services. Other employment sectors showed relatively low numbers of employees. The picture is clearly that of a small, rural, county seat, with a minimum amount of light manufacturing.

The State of Indiana, the Brookville Chamber of Commerce, the Brookville Rail Research Committee, local rail patrons, and information received from the Penn Central during the railroad restructuring in 1974, provided the RSPO Project Team with a list of 26 firms that were alleged to have used the Valley Junction to Brookville portion of the Whitewater Running Track. Of these 26 firms, one was counted twice and local officials and rail patrons had no knowledge of the existence of two others. The other 23 firms were judged capable of generating carload business.

Of the 23 firms interviewed, five firms indicated that they had used the railroad in the past but had no intention of using it in the future. One individual stated that he had just purchased the firm but had no intention of using the railroad, and one active rail patron was in the process of selling out his business. The remaining 16 rail patrons are active users of the line. Of these firms six stated that they do not contemplate any expansion; four stated that while no plant expansion was contemplated, sales were expected to rise; and two claimed they have only a limited possibility of expansion. Four firms indicated that there was a possibility for future expansion in their facilities. Crest Components stated that a plant expansion was possible within two years, and Cincinnati, Inc., expects to expand within six or seven years. The Farm Bureau Cooperative in Brookville is in the process of building a grain storage facility with a capacity of 50,000 bushels. The Seasongood Folding Box Company stated its usage of rail "probably will double or triple in the next two to three years due to change in raw materials". While there are a variety of industries on the line, it is, nevertheless, heavily dependent on traffic associated with the housing industry, an industry which is just beginning to recover from its decline of the past few years.

Carload traffic statistics applicable to the Valley Junction to Brookville line indicated that: (1) The line has a limited number of rail patrons and commodities; (2) a declining traffic volume; (3) the line generates primarily terminating traffic; (4) the Penn Central received only 37.2 percent of the total revenues generated; and (5) the average line revenues are lower than system averages.

For the months of May, June and July, 1976, actual train operations over the Valley Junction to Brookville line segment resulted in an operating surplus of $10,220. However, for six months of operation (April-September) the line generated 478 carloads of freight; on an annualized basis this indicated that traffic levels have fallen to 84.4 percent of the 1973 levels.

Conclusions

Team tracks along the line offer potential revenues and consequently they should be upgraded and their use promoted.

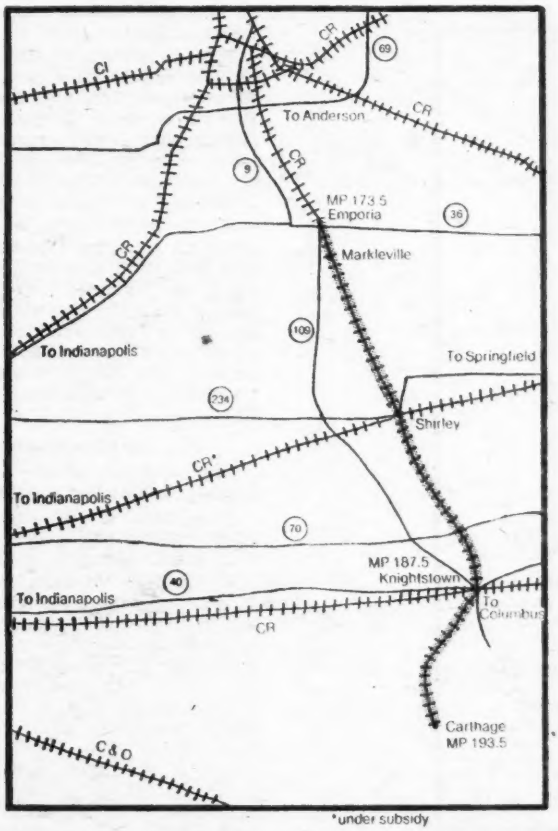
The option of the line being served by a short line railroad owned by an independent and/or rail patron operator should be explored. The new operator, with State assistance could attempt to renegotiate rates, based on the cars being terminated at Valley Junction and could assess a flat charge for the handling of the cars between Valley Junction and Brookville and their siding or the nearest team track.

Rehabilitation of this line could greatly reduce the time that it takes to service it and thus reduce the costs of its operation.

The State should determine whether the U.S. Department of Agriculture, which has expressed interest in this line, will share in the cost of its operation.

USRA Line No. 578/579a: Anderson-Greensburg Secondary Track. The Anderson-Greensburg Secondary Track, formerly part of the New York Central Railroad, extends southward from Anderson, Indiana (milepost 166.7) through Emporia (milepost 173.5), Markleville (milepost 174.8), Shirley (milepost 181.0) and Knightstown (milepost 187.5) to Carthage, Indiana (milepost 193.5), a distance of 26.8 miles. At one time the Anderson-Greensburg Secondary Track extended southward from Anderson through Carthage and Rushville to Greensburg, Indiana. The State of Indiana requested, the RSPO to analyze only that portion of the track that extends from Emporia to Carthage, a distance of 20 miles. (Anderson traffic is not included in this line analysis since it is being served by Conrail.) This portion of the line is located in Madison, Hancock, Henry and Ruch counties and connects with the former Penn Central's Springfield Branch (USRA Line No. 554) at Shirley and passes under Conrails' Columbus to Indianapolis line (USRA Line No. 633).

FIGURE 11



*under subsidy

The Anderson-Greensburg Secondary Track provides service through an area which is primarily agricultural and rural in character but which also exhibits a variety of other economic characteristics. The northern terminus, Emporia, is located within the Anderson SMSA, which in turn is contiguous to the northeastern portions of the Indianapolis SMSA. The line extends along the eastern border of the Indianapolis SMSA into Rush County. Most of the towns in the service area of the line are small and have grown up primarily to service the agricultural areas around them. In general, this portion of the state produces significant amounts of field and truck crops, corn, hogs, winter wheat, and some other livestock. Natural gas fields found in the area provide some non-agricultural employment, and light manufacturing and some heavy manufacturing in the two SMSA's provide significant amounts of industrial employment. In and around Anderson, manufacturing is characterized by the production of automobile parts, electrical and metal products, and furniture. Indianapolis produces significant quantities of transportation equipment, machinery, electrical products, chemicals, food products, motor vehicles, and pharmaceuticals.

An analysis of the establishments along the line segment under study reveals a concentration in a limited number of activities—agriculture, lumber and building supplies and light manufacturing.

The State of Indiana, the Anderson and Knightstown Chambers of Commerce, and information received from the Penn Central during the railroad restructuring in 1974 provided the RSPO Project Team with a list of 17 firms that were alleged to have used the Emporia to Carthage line. Of these 17 firms, one was no longer in existence at the time the RSPO Project Team was interviewing and one firm was counted twice. Local officials and rail patrons had no knowledge of the existence of 4 other firms. One firm explained that, although it once had used the line during the past 5 years it had been receiving its freight at Greenfield. One firm was presently being served by ConRail from Anderson. The remaining 9 firms were judged capable of generating carload business. The other businesses in these towns are almost exclusively small commercial and retail establishments that rely entirely on motor carriers to handle their predominantly small shipments.

Of the nine firms interviewed, three firms indicated that they had used the railroad in the past (between 1964 and 1974) but had no intention of using it in the future. The remaining six rail patrons are active users of the line. Three firms stated that they are not presently contemplating any future expansion, and two stated that, while no expansion is contemplated, sales are expected to rise. One firm expects to increase its storage facilities. Two of the six firms indicated that the loss of service over the line would have little effect on them. The RSPO Project Team found no evidence of industrial planning or development along the line.

Carload traffic statistics applicable to the line indicate: the line depends heavily on one patron who ships only a limited number of commodities; and traffic over the line is declining in volume.

For the months of May, June and July of 1976, actual train operations over the line segment, including the Wilkinson to New Castle segment of USRA Line No. 559, incured a deficit of $2,877. For six months of operation (April–September), the line generated 339 carloads of freight; on an annualized basis, this indicates that traffic levels have fallen to 48.2 percent of the 1973 levels.

Conclusions

Termination of rail service between Emporia and Shirley at milepost 173.5 should be considered.

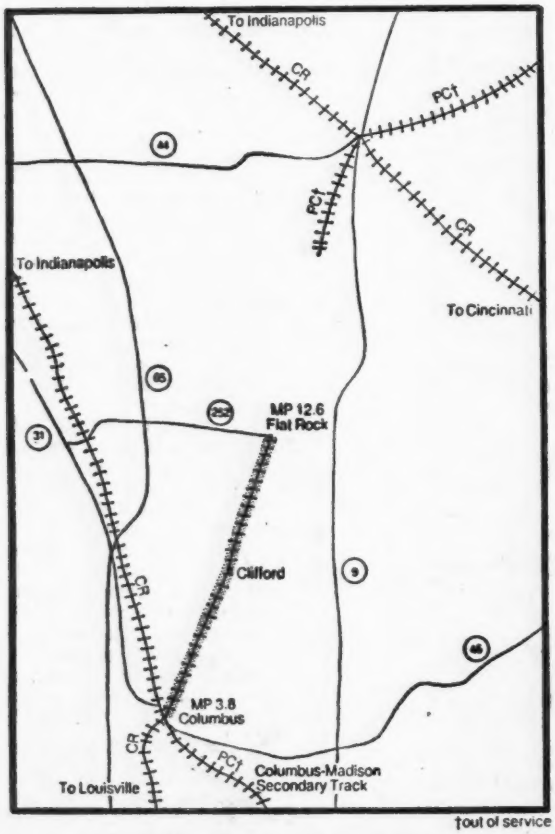
The line's use as a team track offers potential revenues and, consequently, should be upgraded and promoted. The improvement could be made around milepost 173.5, with the cooperation of the Emporia Elevator Company.

The possibility of having rail patrons in the cities of Shirley, Knightstown and Carthage served in one of the following ways should be considered: (1) from an intact, rehabilitated USRA Line No. 554; (2) from Hunter via Shirley (USRA Line No. 554) to Carthage; and (3) from Anderson via New Castle and Shirley (USRA Line No. 554) to Carthage.

The operation of the line as a short line railroad, owned by an independent and/or rail patron operator, should be considered. The new operator, with State assistance, could attempt to renegotiate rates, based on the cars being terminated at Emporia, and could assess rail patrons a flat charge for the handling of the cars between Emporia and Carthage and their siding or the nearest team track.

USRA Line No. 582: Shelbyville Secondary Track. The Shelbyville Secondary Track, formerly part of the Pennsylvania Railroad, extends northeasterly from Columbus, Indiana (milepost 3.8), through Shelbyville (milepost 23.0) to Rushville, Indiana (milepost 44.3), a distance of 40.5 miles. The State of Indiana requested the RSPO to analyze only that portion of the Shelbyville Secondary Track that extends from Columbus (milepost 3.8) through Clifford (milepost 6.4) to Flat Rock (milepost 12.6), a distance of 8.8 miles. Columbus traffic is not included in this line analysis since it is being served by Conrail. This portion of the line is located in both Bartholomew and Shelby Counties. The portion of the line under study connects at Columbus with both Conrail's Louisville Branch and its Columbus to Madison Secondary Track. The line is currently in service only between Columbus and Clifford. There is an end-of-track sign at milepost 7.2, located approximately 300 feet beyond Armuth Farm Service.

FIGURE 12



†out of service

The Shelbyville Secondary Track serves portions of Bartholomew County which lies just south of the Indianapolis SMSA and is contiguous to it, and Shelby County which is within the SMSA, constituting its southeastern corner. Although both counties may be considered primarily agricultural and rural in orientation, having slightly rolling fertile land available for cultivation, both have relatively significant nonagricultural sectors. The branch itself extends over only a short portion of the two Counties, traversing the northern half of Bartholomew County, and barely entering neighboring Shelby County. It is situated mainly in an agricultural area, with a number of small towns surrounding the line. These towns are typical of small towns throughout Indiana, providing services for the farm communities which surround them. Only Columbus, of the two termini, has extensive manufacturing and nonagricultural development.

The State of Indiana, the Columbus Chamber of Commerce, local rail patrons, and information received from the Penn Central during the railroad restructuring in 1974, provided the RSPO Project Team with a list of eight firms that were alleged to have used the Columbus to Flat Rock line. Of these eight firms, one was no longer in existence at the time the RSPO Project Team was interviewing, and two firms indicated that they had not used the railroad since 1970 and had no intention of using it in the future. Three firms at Flat Rock indicated that they had never used the railroad and had no intention of using it in the future. Armuth Farm Service and Swift Agricultural Chemical Corporation are the only active rail users.

Carload traffic statistics applicable to the Columbus to Flat Rock line indicate: (1) Traffic has declined since 1970; (2) traffic density, cars per mile, was never more than 8.5 for the years 1963 to 1972; (3) shipments consist of only terminating carloads of chemicals and fertilizers; (4) Penn Central's share of revenues generated by the line was only 24.7 percent; and (5) average revenues received on this line were lower than system averages.

For the months of May, June and July of 1976, actual train operations over the line segment incurred a deficit of $289. For six months of operation (April to September), the line generated nine carloads of freight; on an annualized basis this indicates that traffic levels have fallen to 31.6 percent of 1973 levels.

While Columbus is expected to continue its economic growth, the Clifford and Flat Rock areas are essentially very small, one-industry towns and do not appear to have the potential for significant growth or the introduction of rail oriented industries (other than agri-businesses). The RSPO Project Team found no evidence of industrial planning or development along the line.

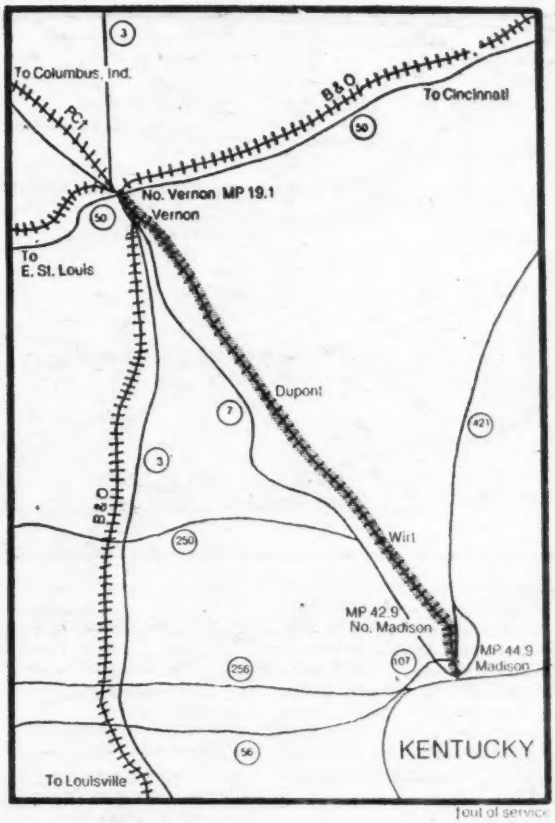
Conclusions

The purchase of the line for ultimate transfer to Conrail should be considered.

The line's viability could be improved by upgrading and promoting the use of team tracks along it.

USRA Line No. 589/590: Columbus to Madison Secondary Track. The Columbus to Madison Secondary Track formerly part of the Pennsylvania Railroad, extends in a southeasterly direction from Columbus, Indiana (milepost 0.0) through North Vernon (milepost 19.1) to Madison, Indiana (milepost 44.9) a distance of 44.9 miles. The State of Indiana requested the RSPO to analyze only that portion of the line from North Vernon (milepost 19.1) through Dupont (milepost 32.0) Jeff (milepost 36.9), and North Madison (milepost 43.0), to Madison (milepost 45.2), a distance of 26.1 miles. Columbus traffic is not included in this line analysis since it is being served by Conrail. That portion of the line from Columbus (milepost 2.5) to North Vernon (milepost 19.1) is presently out of service. The line is located in both Jennings and Jefferson Counties, and it connects at North Vernon with a Chessie System east-west main line and a Chessie System branch line to Louisville, Kentucky; Madison is the end point of the line under study. The loss of a bridge at Scipio necessitates the line being served from Columbus over USRA Line No. 619 (Conrail) to Seymour, then over the Chessie System tracks to North Vernon and thence to Madison.

FIGURE 13



Indiana State Track Inspectors have made a close inspection of this line and estimate it would cost $619,212 to restore it to FRA Class I track standards.

This branch provides service to a two-county area which is predominantly agricultural and rural in nature. It lies directly between the Louisville SMSA and the Cincinnati SMSA. The region produces primarily tobacco, livestock, and truck crops. North Vernon, Madison, and Hanover, are the only towns of any significant size in the service area of the branch. Most of the other towns in the two Counties serve as trading centers for the agricultural areas which surround them.

Of the 48 principal industries located along the North Vernon to Madison line, 22 are directly associated with the assembling, fabricating, processing, or manufacturing of a diversified number of products, six have an agricultural orientation, six are retail lumber and building supply dealers, three are public utilities, and 11 engage in a wide range of other activities.

The State of Indiana, the Chambers of Commerce of North Vernon and Madison, local rail patrons, and information received from the Penn Central during the railroad restructuring in 1974 provided the RSPO Project Team with a list of 53 firms that were alleged to have used the North Vernon to Madison line. Of these 53 firms, two were no longer in existence at the time the RSPO Project Team was interviewing, and one firm was counted twice. Local officials and rail patrons had no knowledge of the existence of three other firms. The other 47 firms were judged capable of generating carload business. The remaining businesses in Vernon, Dupont, North Madison and Madison are almost exclusively small commercial and retail establishments that rely entirely on motor carriers to handle their predominantly small shipments. There are a number of additional industries within the North Vernon area that are being served by the Chessie System.

Of the 47 firms interviewed, six firms stated that they had never used the railroad and had no intention of using it in the future. Thirteen firms indicated that they had used the railroad in the past (between 1952 and 1975) but had no intention of using it in the future. The remaining 28 rail patrons are active users of the line. Twelve firms have stated that the termination of rail service would have little effect on their operation. Many firms are already making extensive use of alternative transportation modes.

Carload traffic statistics applicable to the North Vernon to Madison line indicate: (1) A declining traffic volume exacerbated by the recent loss of four major rail patrons; (2) a limited number of rail patrons and commodities generated; and (3) a predominance of terminating traffic.

For the months of May, June and July 1976, actual train operations over the line segment incurred a deficit of $118,109. For six months of operation (April–September), the line generated 296 carloads of freight; on an annualized basis this indicates that traffic levels have fallen to 50.3 percent of 1973 levels.

Conclusions

Consideration should be given to terminating rail service at Madison, which would allow for the removal of the specially designed locomotive permanently stationed at Madison, thus significantly reducing the costs of operating the line. Terminating the service to North Vernon also should be considered.

The possibility of having rail patrons between Vernon and North Madison served by the Chessie should be explored.

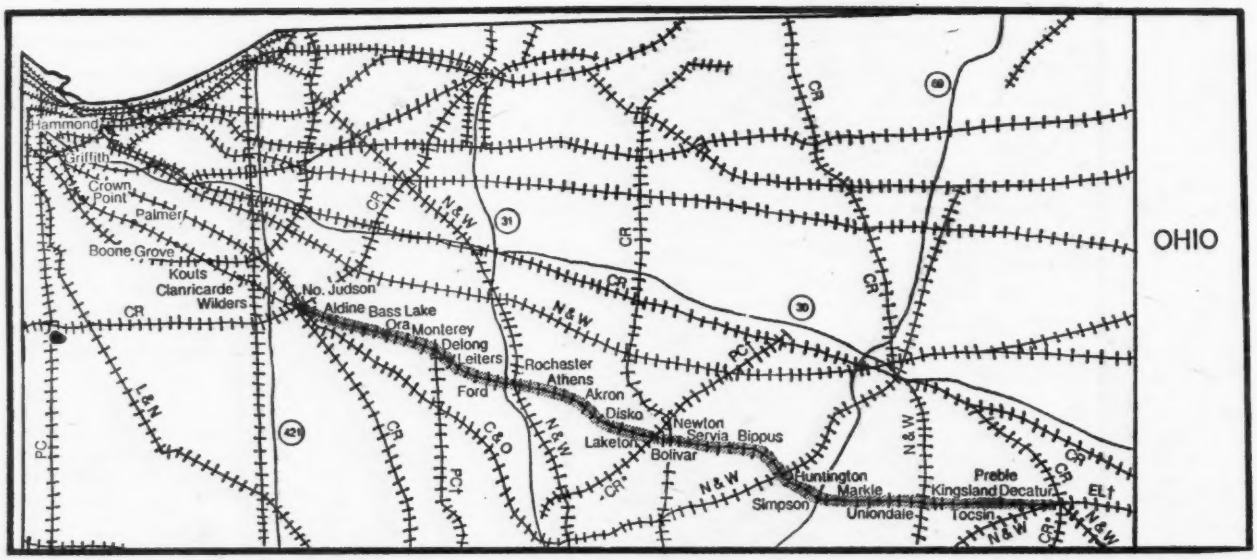
The team tracks at North Madison offer potential revenues and, consequently, should be upgraded and their use should be promoted.

Rail patrons should explore with the operating railroad the feasibility of developing a new type of rail car designed to move bulky mobile batch plants outbound over the line.

The option of operation the line as a short line railroad owned by an independent and/or rail patron operator should be considered. The operator, with State assistance, could attempt to renegotiate rates based on the cars being terminated at either Vernon or North Madison and could assess rail patrons a flat charge for the handling of the cars between Vernon and North Madison and their siding or the nearest team track.

USRA Line No. 1261/1262: Jersey City to Chicago Line. The former Erie Lackawanna Jersey City to Chicago main line extends westward from Jersey City across New Jersey, Pennsylvania, and Ohio and terminates at Hammond, Indiana (milepost 249.6). The State of Indiana requested the RSPO to analyze only that portion of the Jersey City to Chicago line that extends from Decatur, Indiana (milepost 96.9) to North Jersey, Indiana (milepost 199.4) a distance of 102.5 miles. Decatur traffic is not included in this line analysis since it is being served by Conrail. This portion of the line is located in the following counties: Adams, Wells, Huntington, Wabash, Fulton, Pulaski, and Starke. It connects with the following railroads: at Decatur with Conrail and the N&W; at Huntington with the N&W's Fort Wayne-Decatur, Illinois line; at Bolivar with Conrail; at Newton with the former Penn Central's Columbia City Secondary Track; at Rochester with N&W's Michigan City to Indianapolis line; at Delong with the former Penn Central's Culver Secondary Track; and at North Judson with the Chessie System's Cincinnati to Hammond line and Conrail. The N&W Decatur, Illinois to Fort Wayne line crosses at Huntington, the Fort Wayne to Muncie line at Kingsland, and the Delphos-Frankfort line at Decatur, Ind.

FIGURE 14



The Decatur-North Judson line serves a portion of Indiana which is primarily agricultural in nature. From North Judson the line moves east through a highly agricultural section of Starke County, south of the South Bend SMSA, and then proceeds through several primarily agricultural counties and terminates in the southern half of the Fort Wayne SMSA, where agriculture is still the dominant economic activity. Even though there are several towns (Decatur, Huntington and Rochester) of some commercial prominence located in the immediate service area of the line, most of the towns and cities along the branch line are small in size, and serve primarily as market centers for the surrounding farm communities. This line serves a portion of the state where general farming and forestry is practiced and there is extensive production of potatoes. The line also serves a more highly developed section of the state which is dominated by the production of livestock, dairy products, soybeans, and a number of small cash grains. The RSPO Project Team found no evidence of industrial planning or development along the line.

Carload traffic statistics applicable to the Decatur-North Judson line indicate: (1) A limited number of rail patrons use the line; (2) traffic volume is declining; (3) more than three-quarters of the traffic on the line can be attributed to four locations—Huntington, Monterey, Akron and Rochester; (4) the Huntington area clearly is the most important traffic and revenue source for the line, accounting for more than half of each; and (5) nearly all of Huntington's traffic moves via COFC/TOFC rail service.

For the months of May, June and July 1976, actual train operations over the line segment incurred a deficit of $38,524. For six months of operation (April–September, 1976), the line generated 1,098 carloads of freight; on an annualized basis, this indicates that traffic levels have fallen to 30.3 percent of 1973 levels. Since June of 1976, there have been no requests for service west of Monterey (milepost 183.7).

Conclusions

In view of the interest expressed by the U.S. Department to Agriculture, the State should determine whether the Department will share in the cost of continuing operations over the line.

Team tracks along the line offer potential revenues and, consequently, should be upgraded and their use promoted.

Termination of rail service from Monterey to North Judson (16.4 miles); from Huntington to Akron (32.0 miles); and from Uniondale to Preble (11.8 miles) should be considered.

The feasibility of extending Conrail's Decatur Yard limits to include Preble and reestablishing a connection at Bolivar, in order to serve Servia rail patrons should be explored.

The possibility of having rail patrons served from Rochester east to Akron and west to Monterey; and from Huntington east to Uniondale should be explored.

Discounting the use of the second main EL track, as well as existing track signaling equipment should be considered.

The possibility of having a completely rehabilitated Decatur-North Judson line, owned and operated entirely by those employees presently located at Huntington should be considered.

Appendix A—State Request Letter

State of Indiana,
Public Service Commission,
Rail Planning Division,
Bloomington, Ind., May 11, 1976.

Mr. Alan Fitzwater,
Director RSPO,
1900 L Street, N.W.,
Washington, D.C.

Dear Mr. Fitzwater: Please accept this letter as a revision of my letter to you dated February 16, 1976.

As set forth in Section 205(e)(2) of the RRRA (as amended by Section 309 of the RRRRA) the State of Indiana formally requests the Rail Services Planning Office to prepare and publish an evaluation of the economic viability of the light density lines in Indiana not designated for inclusion in the Final System Plan listed below.

Lines in Indiana eligible for subsidy under the State rail plan

Line No.	Description	Designated operator
399	Goshen to Shipshewanna	CRC.
401	Angola to Montgomery, Mich	Hillsdale County RR. Co.
417a	Auburn Junction to Auburn	Chessie.
418	Kendallville to State line	CRC.
419	North Manchester to Mexico	CRC.
423	Logansport to Lucerne	CRC.
429	Decatur to Portland	CRC.
523	Anderson to Frankton	CRC.
554	Hunter to Maxwell	CRC.
	Wilkenson to Lynn	CRC.
571/571a	Valley Junction, Ohio to Brookville.	CRC.
578/579a	Emporia to Carthage	CRC.
582	Columbus to Flatrock	CRC.
589/90	North Vernon to Madison	CRC.
1261/1262	Decatur to North Judson	CRC.

Thank you and I look forward to being of service to you if the need arises.

Sincerely,

Bruce Wm. Pigozzi,
Acting Director, State Rail Planning,
Public Service Commission.

[FR Doc.77-5325 Filed 2-18-77;8:45 am]